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ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)


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Governance, Transparency and Service to Members and Students

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The phenomenon of "Contribution towards ESG" is becoming popular around the globe and also in Pakistan. In the recent CFO Conference 2022 organized by ICAP, the institute played its due part in the realization of the topic in coordination with the top decision-makers and leaders of worthy organizations in Pakistan. Due to this global realization, companies are under constant pressure to increase profitability and sustainability for their shareholders and stakeholders. The achievement of the goals pertaining to the Environmental, Social, and Governance (ESG) approach is a wholesome effort, and it requires simultaneous attention of all the responsible parties, including government and non-government organizations, international and local regulators, corporations, and private limited, and the general public. Furthermore, all the three components Environment, Social, and Governance should carefully be considered one by one in the context of Pakistan's innate environment for preparing effective policies and procedures.

The attention of the Government in this area is so vital that without it, this widespread movement will not sustain itself in the long run, and be unable to achieve the related goals. This edition of The Pakistan Accountant summarizes the importance of ESG and why this has become a strategic agenda point. We are delighted to include valuable and insightful contributions from our respected members, including Sustainability Reporting and Enterprise Value, Corporate Realization of ESG, and a Stakeholder-Oriented Approach. I would thank the publication team for bringing up the latest Pakistan Accountant edition and hope that the readers will appreciate and enjoy reading the articles presented in this edition. The novel coronavirus (COVID-19) has taught us new ways of learning and helped us realize our true potential. It gives us an unprecedented lesson about the Can-do approach to life. Being productive is not only a matter of resources but is also a challenge to accept and achieve beyond your boundaries.

President's Page

Corporate sustainability recognizes corporate growth and profitability as significant; but considers sustainable development, environmental protection, social justice, equality and economic development as equally important. It is in keeping with those tenets and to embrace our responsibility towards Environmental, Social, and Governance (ESG) issues that we are accelerating our awareness drive to help materialize sustainability for societies around the world. I believe that helping to resolve social issues through business is vital to corporate prosperity. Companies which fail to bring ESGs to fruition cannot survive in today's ethically regulated environment in which all stakeholders are well aware of the business priorities. Corporations accordingly are required to make efforts to enhance their businesses from both financial and ESG perspectives.

We are also observing that investors are now recognizing the need to integrate ESG factors into all aspects of assessing and managing risk and opportunity. We are encouraging corporates and investors to set ESG related ambitions, policies and targets, and then translate these into actionable programs and portfolios while disclosing their performance to stakeholders in a robust, consistent and meaningful way. It's a commitment that is brought to life through the choices and investments we make in the safety and well-being of our employees, in the environmental efficiency of our products and our operations, and in our support for the communities we call home. Apart from the key challenges for attaining ESGs, I believe that it has become essential that each and every stakeholder, from employees and customers to business partners and investors, contribute to a better tomorrow in the communities around the globe that we are privileged to serve. I hope this issue of The Pakistan Accountant will help our readers to learn more about importance of ESG and its necessity.

Ashfaq Yousuf Tola, FCA
President, ICAP

Sustainability Reporting and Enterprise Value - Why it is relevant for industry and profession

Farrukh Rehman, FCA

In recent years various governments, investors, lenders, corporates, and many public forums around the world are extensively discussing the responsible behavior of businesses.

This covers business activities having impacts on the environment, social and governance (ESG) aspects mainly the climate change, natural resources, pollution, waste, human capital, product safety and quality, access to finance, diversity, anti-corruption, anti-competitive, etc.

Since long entities provide information on their operations and business activities through the use of general-purpose financial reporting. This includes the provision of statements of financial position, performance, and cash flows of the entity together with its significant underlying policies and explanatory notes. The International Accounting Standards Board (IASB) formed by the International Financial Reporting Standards (IFRS) Foundation is the globally recognized forum that issues the relevant accounting standards to produce the general purpose financial statements. The primary users of such reporting comprise the investors, lenders, and other creditors who require information for their decision-making that is relevant, reliable, and faithfully represents but also that is comparable and verifiable. Such financial reporting is well entrenched around the world including Pakistan and is used extensively.

However, as stated, in recent years there has been a significant interest of the society toward responsible behavior of entities carrying out business activities having an impact on the ESG aspects. There is, accordingly, this advent of providing structured information on the responsible behavior of the entities. In practice, the presentation of such aspects of an entity is termed as ESG reporting or Sustainability reporting.

The ESG approach these days is being presumed as one of the foremost criteria used by the institutional investors and sponsors to screen out the prospects of making a long-term investment in any organization.

For this reporting, various organizations and jurisdictions started developing and providing frameworks/ standards/guidelines. However, there was no internationally recognized forum, such as the IASB, whose ESG or sustainability reporting standards were followed in preparing or presenting the sustainability reports.

At the United Nations Climate Change Conference - COP26 in November 2021 there was the announcement of the establishment of the International Sustainability Standards Board (ISSB) by the IFRS Foundation. Under the IFRS Foundation structure, this was the birth of a sister organization to the IASB that issues the IFRS Accounting Standards. The ISSB has been formed to issue the IFRS Sustainability Disclosure Standards. It has recently proposed drafts of its two standards for public comments. These standards are expected to be adopted around the world by corporate regulators in the same standing as the IASB IFRS Accounting Standards.

The proposed standards build around the concept of providing 'Sustainability-related Financial Information' to the primary users of general purpose financial reporting at the same time and in the same place the financial statements are provided. Such ‘Sustainability-related Financial Information’ is required by the primary users when they assess the entity’s enterprise value (meaning the total value of an entity. It is the sum of the value of the entity’s equity [market capitalisation] and the value of the entity’s net debt) and decide whether to provide resources to it.

The introduction to the proposed standard states that:

“An entity’s ability to remain resilient will rely on a range of resources and relationships. Such resources and relationships include its workforce, any specialised knowledge it has developed and its relationships with local communities and natural resources. Investors, lenders and other creditors, therefore, seek information about the significant sustainability-related risks and opportunities facing an entity to inform their decisions about providing resources to the entity. Such information supplements and complements the information contained in the entity’s financial statements.

Sustainability-related risks and opportunities arise from an entity’s dependencies on resources and its impacts on resources, and the relationships the entity maintains that may be positively or negatively affected by those impacts and dependencies. When an entity’s business model depends, for example, on a natural resource—like water—it is likely to be affected by changes in the quality, availability and pricing of that resource. When an entity’s activities result in adverse, external impacts—on, for example, local communities—it could be subjected to stricter government regulation and consequences of reputational effects—for example, negative effects on the entity’s brand and higher recruitment costs. Furthermore, when an entity’s business partners face significant sustainability-related risks and opportunities, the entity could be exposed to related consequences of its own. When such impacts, dependencies and relationships create risks or opportunities, they can create or erode the value of the enterprise, the financial returns to providers of financial capital, and the assessment of enterprise value by primary users.

Enterprise value reflects expectations of the amount, timing and certainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity’s risk profile, and its access to finance and cost of capital. The information contained in its financial statements and the information included in an entity’s sustainability-related financial disclosures are essential inputs to a primary user’s assessment of an entity’s enterprise value. The proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed.”

The core content of the ‘Sustainability related financial information’ based on the proposed standard comprises of the following:

a) Governance — the governance processes, controls and procedures the entity uses to monitor and manage sustainability-related risks and opportunities;

b) Strategy — the approach for addressing sustainability-related risks and opportunities that could affect the entity’s business model and strategy over the short, medium and long term;

c) Risk management — the processes the entity used to identify, assess and manage sustainability-related risks; and

d) Metrics and targets — information used to assess, manage and monitor the entity’s performance in relation to sustainability-related risks and opportunities over time.”

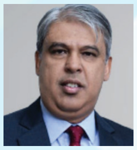
The establishment of the ISSB and global focus on sustainability reporting offers the accountancy profession an opportunity to lead on ESG and sustainability disclosures and their assurance. As chartered accountants, Institute’s members are at the center of information flows and decision making. They are uniquely positioned to capture, analyze, report on, and assure sustainability information. Further, as a regulated profession, members are subject to an ethical code, public oversight, and charged with acting in the public interest. Their professional judgment and skepticism, independence, and competencies are unique.

However, in Pakistan, the awareness of the fast-paced development happening in the area of sustainability reporting is at a lower level. The understanding of the concepts related to sustainability requires significant nurturing. This requires focused attention and action of all stakeholders. The regulators and relevant government departments also have to play their role in this evolving landscape.

The Institute’s members are though uniquely positioned to lead the role in the ESG and sustainability reporting and their assurance, however, to meet the requirements of this new subject and regime, knowledge and understanding of IFRS Sustainability Disclosure Standards are of fundamental importance for both industry and profession particularly for the members of the Institute. The members of the Institute are required to develop and update relevant skills and competencies. The skills to interconnect financial and sustainability information would be required by combining the understanding of a company’s business model, risks/opportunities, systems/processes, and performance with knowledge of sustainability factors and the ability to collaborate with experts.

The industry also needs to keep itself aligned with global developments in sustainability reporting. The impact of climate change in Pakistan, social pressure, development of laws and regulations in other countries where our export market resides, and their consequential impact on our exporting entities, the highly likely involvement of multilateral organisations through linking provision of funding with sustainability-related compliances and measures from the IOSCO to endorse and implement sustainability reporting for the relevant corporate sector in Pakistan necessitate for the industry and profession to keep itself abreast of the developments. They need to start taking measures to not only create awareness but institute expert knowledge in their business processes. The ESG and sustainability reporting now requires the active attention of the company’s board and management.

In Pakistan, the need of the hour is a proactive and collaborative approach, so that the industry, users of sustainability information, and accountancy profession are ready when sustainability reporting and its assurance are made mandatory or become obligatory as a business need.



Farrukh Rehman, FCA is a Chartered Accountant, Partner in A.F. Ferguson & Co. He is acting as Technical Advisor to a member of the IFAC's Professional Accounting Organizations Development Advisory Group and is a member of the Accounting Standards Committee of the South Asian Federation of Accountants (SAFA).

Green Accounting, Myth or Reality? Is there a win win situation for corporates and environment?

Muhammad Badar Ul Munir, FCA, MA Economics

What is Green Accounting?

Green Accounting refers to accounting information that is associated with the indirect costs of economic activities and how do these have an impact on the environment, which in turn would influence the decision making process of a company. It focuses on preventing and reducing harmful effects on the environment that are caused due to the operations of an organizations. If this method is applied in an effective manner, it would lead to a reduction in costs as well as an improvement in environmental performance which is achieved by not only using environmental friendly technology but also manufacturing products in a way that do not damage the environment.

Need for Green Accounting

Green Accounting has become a dire need to be implemented in today's world due to increase in economic and industrial activities by the companies which have caused great damage to the availability of natural resources. This environmental degradation has a negative impact on the community. There is a possibility that the Gross Domestic Product of a country can be affected if there is no proper corporate disclosures in the annual reports of companies regarding how their activities have negative bearing on environment and what measures are they taking to mitigate those marks. For a developing country like Pakistan, both Economic development and application of Green Accounting is the need of the hour and therefore can be achieved by incorporating environmental costs into business operations. Moreover, the government needs to devise a revised model according to which the GDP acknowledges the need of environmental accounting.

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Green Accounting Indicators

There are different Green Accounting Indicators which have been prepared by analyzing Global Reporting Initiative Reports as well as studying the factors that contribute to a sustainable environment.

1. Energy Consumption:

There are high shortages of energy throughout the country and therefore high costs associated with these directly impact the company's daily operations. The forms of energy consumed by a company include heat, fuel, electricity, etc, and these cause negative effects on the climate which can be reduced by adopting renewable energy resources. These in turn would hamper the environmental damage generated by such activities.

2. Water Consumption:

This factor is important and is based not only on the water usage by the company but also the current state of water availability in the country. According to a recent report published by IMF, among countries all over the world, Pakistan is ranked third over facing extreme water shortages. An organization therefore should be concerned about how water is consumed, withdrawn as well as disposed after careful treatment so that it does not harm the environment (human and marine life).

3. Emissions:

The emissions of harmful gases (nitrogen oxides, sulphur oxides and greenhouse gases), negatively affects the air quality, agriculture, human and plant life as well as causes depletion of the ozone layer. All these activities are leading to a drastic climate change. Therefore organizations need to take preventive measures to reduce these emissions and disclosures in this regard also provide an overview that whether a company is complying with national and government regulations such as National Environment Accounting standards or not.

4. Effluents and Waste:

The disposal of waste materials, spills of chemicals, oils and fuel have an adverse impact on the local communities as well as detrimental effect on the environment. In order to resolve this issue, the organizations can contribute by portraying efforts to reduce effluents disposal. Moreover, waste minimization strategies should be put into practice that would encourage re-use and recycling of materials thereby minimizing negative ecological impacts.

How to implement Green Accounting at Company/Office?

- It is extremely important to educate employees through trainings, creative activities as well by providing incentives so that they use environment friendly techniques to work at the office.
- Minimizing the use of paper and shifting to an online system to manage daily tasks such as record keeping, performing calculations and discouraging printing activities would be a great initiative towards green accounting.
- Maximizing the use of natural light and utilization of energy-saving appliances to work during the day would reduce electricity consumption. Moreover, by adopting renewable energy resources as well as opting eco-friendly office products would be a step forward to implementing greener solutions to environmental issues.
- Cloud accounting methods can be adopted so that most of the employees can work remotely which in turn would decrease pollution as well as company's carbon footprint.

Green Accounting and Profitability of a company

Most of the researchers have discovered through detailed analysis that there is strong relationship between Green Accounting and financial performance of a company and the increase in profitability by a company in turn increases the value of a company. The relationship between environmental accounting disclosures and financial performance can be analyzed by keeping forth two important variables, cost and revenue. When analyzing the effect in terms of income, the consumers have a higher tendency to pay for eco-friendly products which also provide competitive edge to the organization and thereby allowing it to enjoy market differentiation.

While talking in terms of cost, the company can increase its efficiency by effectively applying green accounting to its

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operations which would not only help in avoiding potential liabilities, enjoy better positioning in the market but also would be able to create entry barriers for potential competitors. The disclosure of environmental costs will reflect that business ethics are carried by the company and are responsible enough to manage the resources effectively.

The above-mentioned criteria, if implemented successfully by the companies will increase the level of trust of stakeholders which include employees, consumers, investors as well as the public at large in the products and services of the company. This in turn would increase the profitability of the company thus indicating a direct relationship between environmental accounting and corporate profitability. Hence, overall there is a positive relationship observed between these two variables.

Conclusion

It can be stated that Green Accounting is the ability to provide accurate information by companies in their financial statements regarding the approximate social costs caused by their activities that also have an impact on the environment. This information is extremely important to both investors and customers yet there still are companies that do not disclose such information which clearly indicate that less number of companies are taking measures to preserve the environment. The government must encourage companies to the application of Green accounting as it would not only lead to higher self-disclosure thereby increasing the trust in the company by the public at large. Both short and long-term profitability of the company would increase as potential clients would be attracted to buy products of such trusted companies thereby retaining customers in the longer run. Disclosures are important for investors as they would take decisions regarding the investment of capital based on this data. Hence, Green Accounting must be implemented as soon as possible by companies all around the world to ensure environmental safety along with profit maximization side by side.

Muhammad Badar Ul Munir , FCA, MA Economics is a senior Chartered Accountant working as Chief Executive Officer of a 100 MW Solar Power Plant. He is a great advocate of environmental sustainability and accountability.

Environmental, Social and Corporate Governance (ESG) – Corporate Realization

Nasir Islam, FCA

Climate change is impacting us globally and affecting the way businesses are being conducted. The affects that the weather has brought can be seen to be changing the way people live their daily lives. In order to have a sustainable business the owners have realized that to participate in keeping a minimum impact of climate change the business operations can contribute, be it in the ambit of reducing carbon emissions or creating an environment whereby the parties collaborating in a business activity all are brought towards the direction of positive impact on having a safe living environment.

On the social aspect there is a turn in relationship behaviors in the corporate world where more emphasis is being placed on having a healthy workplace which is conducive to employees. People are given the chance to report unhealthy work practices whilst being protected from the aggressors. Suitable committees and forums are being provided for employees to share their work grievances and to get true merit where due.

Corporate ownership is increasingly embarking on good governance practices where they have realized that in order to get the true potential from their business activities a sound system of good oversight is very much needed. Many Corporations are instituting policies and procedures with proper check and balance and laying more emphasis on best practices to efficiently govern the way businesses are operating. Investors have realized that maximizing returns is also augmented by controlling leakages of revenue.

Although there is a significant global pressure on reducing carbon emissions and ensuring that all stakeholders participate, be it governments or corporate entities, there still is the ever evolving need to make sure that the outcomes of participation are uniformly measured so that the contribution can be measured on a standard which is acceptable by all parties. Globally there has been a significant progress in achieving global standards for reporting the contribution of corporate entities towards ESG. The International Sustainability Standard Board has also been proactive in this regard.

Regulators around the world have also stepped up and issued regulatory requirements applicable to various corporate entities on Going Green and contributing towards curtailing carbon emissions creating good governance practices and having better social setups. For example, in the banking industry measures are taken to evaluate the borrower's business practices ascertaining whether they are not aggravating carbon emissions to worsen climate change. This in turn brings about the realization from the business owners desirous of credit to follow the global practices in achieving the global standards on climate change.

Although it is challenging for the business practices to shift towards reducing fossil fuel energy consumption and moving towards alternatives like utilizing solar energy, etc., the

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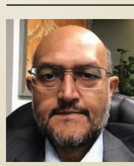
thought process has begun, and corporations are viewing related studies with interest. The road ahead in this matter is tough.

With increasing awareness and knowledge on the effects of good ESG practices by corporate organizations, the business owners, employees, and stakeholders will be coming on the same page and ensuring a sustainable environment for work and living.

ESG practices and reporting standards are expected to be ever evolving and improve with the passage of time and experience. It is all geared up to learn from data and improve the impact on people and our planet to make it more sustainable for generations to come. The realization and contribution of the corporate world is a step in the right direction towards achieving the global ESG goals.



Nasir Islam, FCA is a Chartered Accountant working as Chief Audit Executive at Faysal Bank Ltd, Pakistan.

Overview of ESG Phenomenon

Khizar Hayat, FCA

Overview:-

Governance is a multiplexed dimensional phenomenon with articulated layouts, benchmarking, capitulated resources sizing, deployment and innovated pastulization iteratively.

Over extended times, it evolved around the processes like Formalization, Standardization, Articulation, Customization, Moduling/prototyping, Optimization and End - users enabling & Freindliness. To larger extent bureaucratic governance forms had now been averted into flexible and need specific Governance methodologies with steadier growth and emergent economies.

From short to long runs, societal, environmental, corporate, developmental and economic key drivers are subject to everyday variants and cross border modalities.

Prominent aims and stipulations would have been to maximize optimal Mix of Factors Endowments and to enter into international arrangements for stable and lasting factors of production.

Mix may be subject to turbulences and be a function of quest for alternatives as well as innovative outcomes. This is called Governance bargain in era of constraints and trade off.

Perceptions of governance models, whatever its types may be, would scaling around between Fencing and Freedom limits and Classifications. Merrymayers would be kept lasting for longer learnings curves being ultimate objective which might be resulted into assertive or aversive outcomes.

Marvellence of governance might be weighed in form of abstract traits like Efficiencies, Efficacies, and refinements. Excellence might be built-in processes manyfolds. Ultimate and eventual successful governance paralence would be rounded and encircled by Breathing cushions for systems runs and growth prospects.

Whatever regions of the world be encompassing around the globe, societal interactions boundaries among the masses would be leading economic thrives and stimulus. Motives and mainifestos of social governance would be in direct correlation with optimal patterns dependent on maxum of Tailoring of social & economic wellness needs of Birds – Flocking.

From short to long runs, societal, environmental, corporate, developmental and economic key drivers are subject to everyday variants and cross border modalities. Steps adjustments may be termed as Go - Variances Approach in Enriched evolved governance structure.

Modern era of overwhelming governance is exceptionally netted with definement and boundaries along with rooms and facilities for handling of tracked or emergent or stubborn Exceptions and short to long term Accomodations.

- International commerce indexation.

The biggest challenge to global economies is ever rising inflation trends which are mainly led by energy sector products coupled with allied money market operations. Indexation alternatives would be a litmus test for global economies and developing states.

In EU, formation of trades swaps for contributing states would transform governance arena soon. Commodities transfers or trades be futuristic governance paradigm for developing economies.

In current state of instatenous changing technology and technical Updates, Technology and technical elasticity and ease of transfer would be governing factors for smoother and advanced disposal of tasks and effective governance environment and systems.

Building and retention of lucid and updated Information kiosk and allied access easiness are foremost predominant cornerstones in successful run of governance metrics.

Traditional governance ethos is still in practice in form of Static Patterns and Extrapolations. It is glimpse of recurring patterns with a little cushion for advanced models of governance.

Another everlasting corporate ramification attached with corporate governance perceived exertion is over reliance on Regulations. This counter non productive corporate governance pattern might be termed as Regulations Minesware. However, it is now supplemented with modern ease-of- doing model for businesses.

Model assessment citation had been snapshotted regarding usage of commercial nuclear heating project from conventional heating system.

Relevant Efficacies are:-

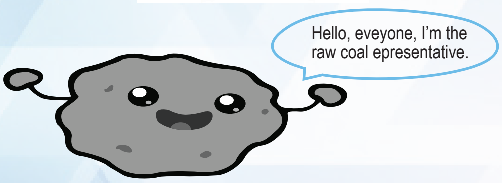
- Carbon free heating.
- Improved air quality.
- Marine ecosystem refinements.
- Uninterrupted supply.
- Environmental protection.
- Costs savings and infrastructure damages avoidance affiliated with coal travel.
- Carbon dioxide levels efficiencies.

Recently, SPIC's Warm-U-Clear-1 Project, China's first commercial nuclear district heating project of Haiyang city, Shandong Province, has succeeded providing clean heating for the whole heating season, benefiting 200,000 local residents with carbon-free heating for 143 days with a total heating area of 5 million square meters. All indicators met the design requirements, the system operated well, and carbon reduction benefits were remarkable, effectively improving air quality and marine ecology. For "promoting clean winter heating in northern China", it has offered a replicable and extensible "SPIC Solution" for supplying nuclear district heating at county scale. Let's have a retrospective view from three dimensions of "sea, land and air" and see how the Warm-U-Clear-1 Project contributes to the green and low-carbon development of the city.

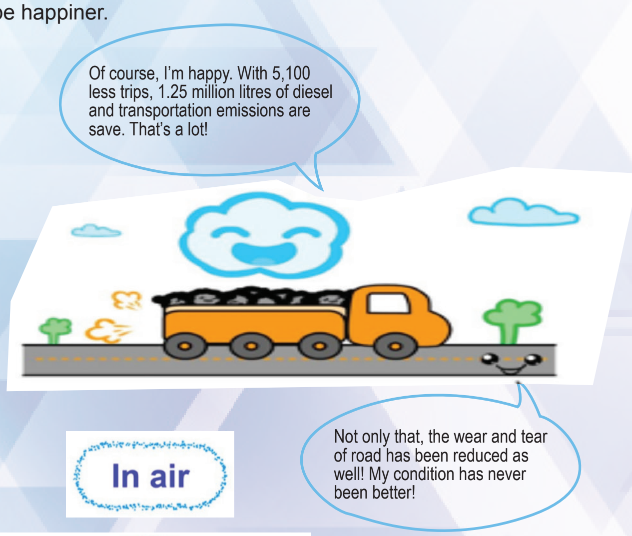
At Sea

In the heating season that just ended, the Warm - U- Clear-1 Project provided Haiyang city 2 million GJ of heat, 1.5 million of which would have flown into the ocean for a "sea bathing". This reduced a 2^{0}C ocean temprature rise 25 hectares and increased the thermal efficiency of the unit to 39.94%, achieveing both energy efficiency and environmental protection.

On land

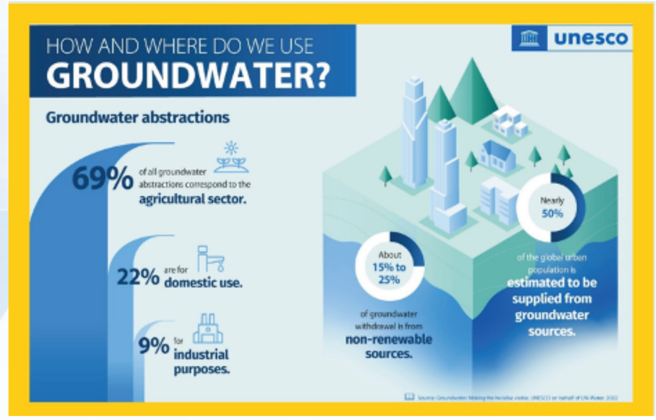


Before the nuclear heating of the Wardm-U-Clear-1 Project, the Haiyang district heating utility would have to buy 180,000 tons of raw coal from Hebel province and other places. Now, the raw coal doesn't need to travel such a long distance, the air and road couldn't be happiner.



In air

Before nuclear heating, Haiyang city's heating came from coal-fired boilers. Since launching the nuclear heating project, 330, 000 tonnes of carbon dioxide has been reduced in one heating season, the rate of good weather has increased by 17 percent, and the air quality in the district heating season has been significantly improved.



Groundwater abstraction and utility had been depicted ranging from 69% for agriculture, 22% for domestic use and 9% for industrial processes. This is an area of preservation of rainy and floody sources along with minimal wastage.

Industrial effluents in form of sulphur dioxide and nitrogen oxide react with water molecules in air resulting into damage to atmosphere in form of Acids rain.

Metal smelting production medium be planned well to minimize above referred ingredients in air.

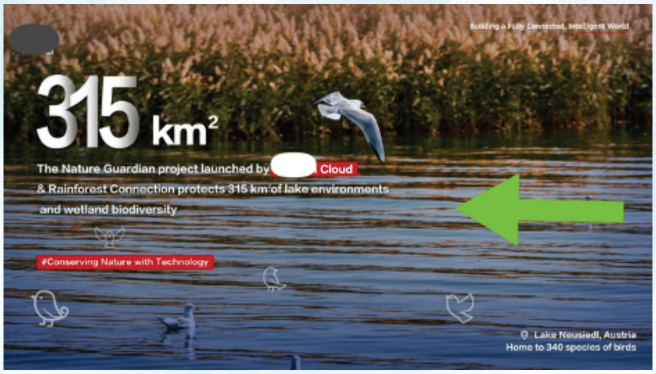
Different metering techniques are being applied for environment damage assessment by use of current fuels as well as Industrial effluents.

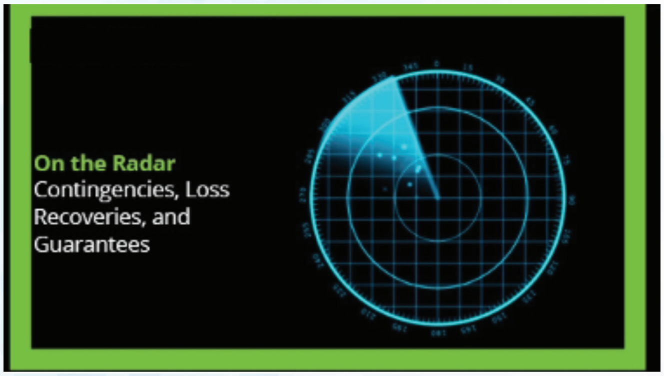
Alternatives for energy sector are of vital source for better and phased environmental protection and refinements.

Wind and solar energy substitution would cultimate into:-

- Healthier form of energy and environment friendly.
- Reductions in carbon emissions.

Cloud technology edges had made major contribution towards lakes management and wetland biodiversity Efficacies and enhancements.





Corporate governance may be still toggling around operations stagnancy and uphill coupled with mix of national and international trade to money market pros and cons.

Particular areas for governance manifestation are encompassing as below: -

- Contingent outcomes and management.
- Losses segregation and segmenting.
- Reductions in tenures for recoveries.
- Contract performance and arrangements for LG as well as cross border trades instruments and alternatives.

Governance scaling around the globe had manifested over extended learning curves and exposures from traditional models to modern sophisticated e – enabling environment and systems.

The resultants would of course be cultivated forms of businesses in shape of :-

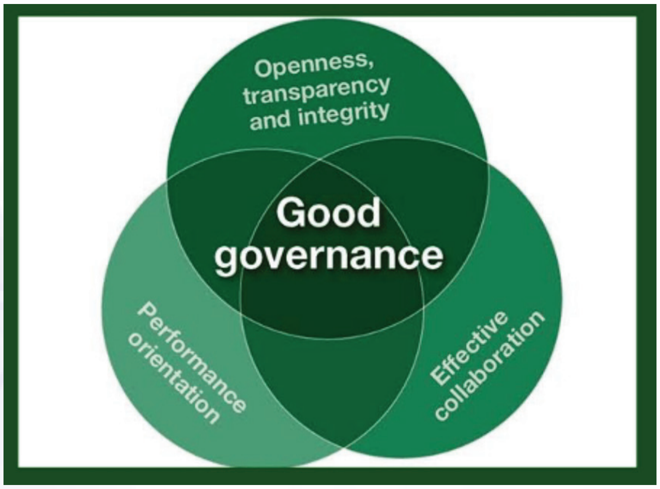
- Enhancing accountabilities and roles extensions.
- Robust dealings.
- Operating flexes.

From inception, governance is intermeshed with and overlapping with unexpected jolts in surroundings with recurring assessments and anticipations at earliest convenience.

Coincidental as well as exceptions may occur and left with no option but to keep float sailing in right forward pathways.

An important attribute of governance life cycles is information & data keeping, sizing, tasking, bridging and spooling rightfully.

Data management efficacy and just - fullness would keep the systems successful, running, robust and nourishing. Failing with it, instability and trimling modes might be faith for otherwise resources full and progressive set-ups.



Governance Umbrella would be netted with functional built-in features:-

- A - Alarm (Probable exceptions or events necessitating an action trigger).
- B - Bull or Bearish (Environmental or reactive outcomes).
- C - Coolant (Adjustable series of tasks or Efficacies to be built).
- D - Duplix (Emergent surpassing eves).
- E - Economizer (Rationalize resources BMR).

Overall tabulated modeling would be a paramide for good governance.

Societal as well as economic governance is being meshed within monetary trade and e commerce platforms. Global inflationary trends are to be phased to be localized thorough trade liberation instead of capitalism and single currency indexation.

Governance and societal transformation is complemented by multiple factors in society and environment.

Major areas for keeping demographics harmony are:-
Piece in society.
Social welfare.
Social solidarity.
Equality.

Largely transformational pillars might be encircling rights, social progress, justice and law, respect, media and technology.

Participative, responsive, equitable and rapport building masses would be promising traits of anticipatory and emerging social fabrics.

Structural improvements and enhancements are key determinants of healthier and progressive economies.

Governance methodologies to be converged into outright resources building rather than loans accretions with minimal impacts on society and stable factors Endowments.

* Governance involves anticipation as well as pre - empting of odds, unexpected behaviors, planned outlays for outbursts of unpleasant happenings to the society , environment and economic stimulus.

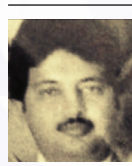
Whole story may be pictoral and glossy theoretically but futuristic glimpse might be in affirmative at ascendent to descendants levels in perpuaty.

* From journey of departure of two nations, achieving of current state of capabilities of modern nukes-based facilities is a big Hallmark and unleashed history in fact.

Furthermore, now current era' demand is to establish flourishing sound system for state operations and facilities, educational excellence, capital intensification, institutions building and structural improvements continuities.

The biggest challenge to global economies is ever rising inflation trends which are mainly led by energy sector products coupled with allied money market operations. Indexation alternatives would be a litmus test for global economies and developing states.

In current state of instatenous changing technology and technical Updates, Technology and technical elasticity and ease of transfer would be governing factors for smoother and advanced disposal of tasks and effective governance environment and systems.



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ESG Risks – an Overview

Asad Zaman Khan, FCA

ESG Overview

ESG stands for Environment, Social, and Corporate Governance Management. It is an emerging area in corporate strategy and risk governance to ensure sustainability of an entity with an extra focus from investment community in general, and the global regulators for financial institutions. However, the implications are equally critical for other industries.

For example, for a financial institution, the purpose is to ensure that business activities - associated with a transaction, product or service, client supplier or other third party - are conducted with due regard for the impact of environmental and certain social considerations on credit, market, reputational, regulatory, and legal risk to entity.

> **“ESG is an emerging area in corporate strategy and risk governance to ensure sustainability of an entity with an extra focus from investment community in general, and the global regulators for financial institutions.”**

Environmental and social (E&S) issues are inherent in almost all business and operations. These may include, but are not limited to: site contamination, waste management, land and resource use, biodiversity, water quality and availability, climate change, environmental regulation, human rights and consultation, community and labour relations, diversity and inclusion, gender equity and equality.

Every organization should develop an enterprise-wide framework to address ESG Risk - supported by related policies - to identify and assess sectors, clients, and business activities exposed to E&S Risk, and establish supporting requirements and escalation protocols to manage and mitigate them.

Key Factors

As per a recent CFA Institute analysis on ESG investing, there is no one exhaustive list of ESG examples. ESG factors are often interlinked, and it can be challenging to classify an ESG issue as only an environmental, social, or governance issue, as the table below shows. These ESG factors can often be measured (e.g., what the employee turnover for a company is), but it can be difficult to assign them a monetary value (e.g., cost of employee turnover for a company).

Key Factors of ESG Investing

Environmental (Conservation of the natural world)	Social (Consideration of people & relationships)	Governance (Standards for running a company)
▪ Climate change & carbon emissions ▪ Air and water pollution ▪ Biodiversity ▪ Deforestation ▪ Energy efficiency ▪ Waste management ▪ Water scarcity	▪ Customer satisfaction ▪ Data protection and privacy ▪ Gender and diversity ▪ Employee engagement ▪ Community relations ▪ Human rights ▪ Labor standards	▪ Board composition ▪ Audit committee structure ▪ Bribery and corruption ▪ Executive compensation ▪ Lobbying ▪ Political contributions ▪ Whistleblower schemes

Source: ESG Investing and Analysis (cfainstitute.org)

ESG Risk Mapping

The ESG-related risks can be mapped to the traditional financial risks as follows:

Economic risks	Financial risks
▪ Supply chain disruptions ▪ Raw material price volatility ▪ Productivity changes ▪ Changing demand and costs ▪ Stranded assets ▪ Relocation of activities ▪ Legal liabilities ▪ Lowe asset value	▪ Credit risk ▪ Market risk ▪ Liquidity risk ▪ Operational risk

#	Financial Risk Category	Impact
1.	Credit Risk	The financial position of clients with significant potential environmental exposures or community relations problems could be adversely affected in several ways: a) Additional costs as a result of: i. Additional capital expenditures (e.g., equipment upgrade), taxes (e.g., carbon taxes), and costs (e.g., permits and licenses) to improve compliance with environmental laws and regulations. ii. Regulatory fines iii. Clean up cost b) Delays in regulatory approvals for new projects and productivity loss c) Business continuity
2.	Reputational Risk	Entity's image in the community or public confidence may be adversely impacted because of its relationship with a client viewed to be socially and/or environmentally irresponsible. This could result in the loss of business, brand value, and reputation.
3.	Legal Risk	Superiority environment claims in bankruptcy or receivership by the government, in some jurisdictions (e.g., Canada), over other claims, rights or charges.

Recent Focus

The initial focus of E&S issues faced by financial institutions were local in nature (e.g., liability for site contamination), it has gained additional focus recently on a broader regional and global scale (e.g., human rights, climate change), posing increased risk to a financial institution's reputation. Such issues may directly impact or be impacted by entity's business and operations, which may give rise to related risks such as credit risk, regulatory and legal risk, and reputational risk, ultimately adversely impacting revenue and expenses.

E&S issues can also affect an entity indirectly through client relationships, which may affect a client's reputation, cash flow, ability to operate or ability to grow its business. Consequently, this can give rise to credit, operational, or legal risk for an entity.

Climate Risk as per Basel

The 'climate & environment' related financial risks, which is a subset of ESG Risks, may need some extra attention. Basel has recently issued some guidance for banks to follow in this regard.

The 'climate & environment' related financial risks may arise from climate change or from efforts to mitigate climate change, their related impacts, and their economic and financial consequences.

The climate-related and environmental risk is driven by Physical and Transition factors (including the likelihood or size of the impact) which affect a banks' financial risks (e.g., credit, market, operational, liquidity, reputational risks) via micro- and macroeconomic transmission channels.

The increasing severity and frequency of Physical climate risk drivers may result in economic costs and financial losses. Simultaneously, as economies seek to reduce carbon dioxide emissions, this impact government policies, technological developments, or investor and consumer sentiment. These efforts generate Transition climate risk drivers, which may result in significant costs and losses.

Flow of climate risk drivers into traditional financial risk categories

Climate risk drivers (Physical & Transition factors: likelihood or size of the impact - location, frequency, and severity)	**Transmission channel** (Micro - & Macroeconomic: to connect climate risk drivers with traditional financial risk category)	**Financial impact** (Traditional Risk Categories)
Physical climate risk drivers Increasing severity and frequency of climate-related events: ▪ Short-term: 'Acute physical hazards' are caused by extreme weather events (e.g., wildfires, heat waves, floods, storms) The key short-term driver of Physical risk for Obligors is mainly due to its location (e.g.,buildings in floodplain) ▪ Long-term: 'Chronic physical hazards' due to long-term shifts in climate patterns (e.g., prolonged droughts, landslides, sea level rises, precipitation variability) The key long-term driver of Physical risk for Obligors is due to their exposure to weather patterns (e.g., agriculture, forestry). So far, the empirical analysis of limate-related financial risk impact is largely focused on the Physical risk drivers.	Microeconomic transmission channels for **credit risk:** ▪ Households ▪ Corporates ▪ Sovereigns Macroeconomic transmission channels for **credit risk:** - Government debt - GDP - Labor changes - Socioeconomic changes	Increase in **credit risk** Credit risk increases if climate risk drivers reduce borrowers' ability to repay and service debt (income effect) or banks' ability to fully recover the value of a facility in the event of default (wealth effect). *Currently, the financial services industry is mainly focused on banks' credit risk and to a lesser extent on market risk.*
	Microeconomic transmission channel for **market risk:** - Stock prices - Currencies - Commodity prices *Currently, not enough research is available to assess the market risk impact through Macroeconomic transmission channel.*	Increase in **market risk** **Market risk** increases due to reduction in financial asset values, including the potential to trigger large, sudden and negative price adjustments where climate risk is not yet incorporated into prices. Climate risk could also lead to a breakdown in correlations between assets or a change in market liquidity for particular assets, undermining risk management assumptions.
Transition climate risk drivers Steps taken to reduce carbon dioxide emissions (i.e., transition to a low-carbon economy) may result in stranded-assets due to: ▪ Government policy changes (e.g., net zero policies, higher reporting / compliance costs) ▪ Technological developments (e.g., costs of transition to new technology such as renewable energy and electric cars, write-off / write-down	Microeconomic transmission channel for **liquidity risk:** - Asset valuation - Counterparty behavior - Funding conditions *Currently, not enough research is available to assess the liquidity risk impact through Macro economic transmission channel.*	Increase in **liquidity risk** Higher **liquidity risk** as Banks' access to stable sources of funding reduces due to changing market conditions. Climate risk drivers may cause banks' counterparties to draw down deposits and credit lines.

Flow of climate risk drivers into traditional financial risk categories

Climate risk drivers (Physical & Transition factors: likelihood or size of the impact - location, frequency, and severity)	**Transmission channel** (Micro - & Macroeconomic: to connect climate risk drivers with traditional financial risk category)	**Financial impact** (Traditional Risk Categories)
of existing assets) ▪ Investor sentiment (e.g., ESG – Environment, Social & Governance – based investments) ▪ Consumer sentiment, market changes, and reputation (e.g., reduced demand for high-emissions products such as air travel, abrupt shift in energy costs) The key drivers of transitional risk for Obligors arise mainly due to **carbon- intensity of business** (e.g., coal, oil & gas, utilities). Given its forward-looking nature, analysis of transition risk is mainly focused on scenario analysis.	Microeconomic transmission channel for **operational risk:** - Failed internal processes - Internal or external events *Currently, not enough research is available to assess the operational risk impact through Macro economic transmission channel.*	Potential for increased **operational risk** Increasing **legal and regulatory compliance risk** associated with climate-sensitive investments and businesses. In addition, increasing **reputational risk** to banks is based on changing market or consumer sentiment.

> **"As per a recent CFA Institute analysis on ESG investing, there is no one exhaustive list of ESG examples. ESG factors are often interlinked, and it can be challenging to classify an ESG issue as only an environmental, social, or governance issue, as the table below shows."**

Climate Risk Type Interactions:

There is a strong interaction between Physical risk and Transition risk. For example, an 'effective transition' to a low-carbon economy results in high transition risk and low physical risks. Whereas an 'ineffective transition' (i.e., BAU) result in low transition risk and high physical risks.

The Physical and Transition climate risk factors can vary according to geography, by sector and by economic and financial system development.

Banks require plausible ranges of scenarios to assess the potential impacts of both physical and transition risk drivers on their exposures. As a first step, management of climate

E&S issues can also affect an entity indirectly through client relationships, which may affect a client's reputation, cash flow, ability to operate or ability to grow its business. Consequently, this can give rise to credit, operational, or legal risk for an entity.

risk and any scenario analysis need sufficiently granular data that capture the climate sensitivity of their exposures and are subject to an appropriate methodology as discussed in the Basel's Climate-related financial risks – measurement methodologies document.

Measurement Techniques:

Quantifying climate Physical risk impact is initially hard to achieve due to considerable additional non-standard data requirements, or confidence in the ability to insure against prospective losses. Therefore, initially Banks' focus on measurement of climate Transition risk in their portfolios, as discussed below:

- The key metric defining climate-related transition risk is "emissions". The standard measure of emissions is "CO2 equivalent" or CO2e.
- Therefore, the Exposure to climate transition risk will be measured against steps taken to reduce "Carbon Intensity" (direct or indirect) of assets & operations.
- The two widely used methodologies for measuring emissions are the:
- GHG (Greenhouse Gas) Protocol: mainly for measuring direct emissions
- PCAF (Partnership for Carbon Accounting Financials) Standard: measures financed / indirect emissions
- Accordingly, the Bank can rank its borrowers / exposures / portfolios, by carbon footprint and implied risk, based on a climate risk scale as follows:
- Climate risk of the borrower ≈ carbon intensity of the sector
- "Sustainable" sectors e.g., renewable energy

Data Requirements:

- Availability of climate-related risk data remains an issue across the financial services industry.
- As per Basel guidelines, physical risks require "geolocational data given spatially varying characteristics of climate impacts", and transition risk requires "counterparty-and industry-level data capturing risk resulting from a shift from a high- to a low-carbon economy".
- As this is a relatively new and developing area in risk management, the initial focus of Banks' climate-risk methodology will be centered on mapping near-term transition-risk drivers into counterparty and portfolio exposures, which include capturing the carbon intensity of portfolios and sectoral exposures and devising internal climate risk ratings or scores.
- Quantifying physical climate impact is initially hard to achieve due to considerable additional non-standard data requirements, or confidence in the ability to insure against prospective losses.

The climate-related and environmental risk is driven by Physical and Transition factors (including the likelihood or size of the impact) which affect a banks' financial risks (e.g., credit, market, operational, liquidity, reputational risks) via micro- and macroeconomic transmission channels.

Conclusion:

A three-dimensional approach may be established which includes identifying unique types of granular data, and then using the data for:

a) Translating climate-risk drivers – their transmission channels – into economic risk factors;

b) Linking climate-adjusted economic-risk factors to related exposures; and

c) Translating climate-adjusted economic-risk into financial-risk (such as credit, market, liquidity, and operational risk).

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Vehicles of older model than 6 months but not exceeding 12 months	10%	5%
Vehicles of older model than 12 months but not exceeding 24 months	20%	10%
Vehicles of older model than 24 months but not exceeding 36 months	30%	15%
Vehicles of older model than 36 months but not exceeding 48 months	40%	20%
Vehicles of older model than 48 months but not exceeding 60 months	50%	25%
Vehicles of older model than 60 months but not exceeding 66 months	55%	27.50%
Vehicles of older model than 66 months but not exceeding 72 months	60%	30%

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ESG – As "good" as it sounds?

Muhammad Mohsin Siddiqui, ACA

Modern times have brought about such sophistication in investment decisions that encompass around much more than lone "profit motive" for conscious investors. "Enviro-Socio-Governance" (ESG), are the core elements at heart, for preliminary screening process employed by investors acting responsibly, that define what boxes need a must check, before assigning a prospective investment, the "good-to-go" tag. In 2021, US witnessed a whopping $5 trillion increase in investors' assets hand-picked using this responsible approach. Moreover, companies have come forward in the race to lead from front, as the most ESG compliant businesses, to foster their market repute and ultimately boost market capitalization through sensible gain in stock value. Interestingly, one third of all the assets that are being professionally managed globally, are considered to be ESG compliant, totaling roughly to $30 trillion in 2021.

Before we step forward and analyze this approach, it is essential to shed light upon each of the components of ESG criteria. While these appear to be more subjective in discussion, moves are underway to come up with a more objective appraisal framework in order to make the results comparable and fair.

Environmental orientation

This is the extent to which a company's values and operations are supportive and considerate of favorable or at least, neutral environmental impact. Throughout the value chain, environmental sustainability of actions and decisions is sought out. There are various issues need to be addressed under this protocol, including but not limited to:

- Waste from operations
- Impact on biodiversity
- Conservation of natural resources and habitat
- Water and/or air pollution

"Enviro-Socio-Governance" (ESG), are the core elements at heart, for preliminary screening process employed by investors acting responsibly, that define what boxes need a must check, before assigning a prospective investment.

Net Zero is an integral recent trending initiative that has been introduced and adapted by most responsive and concerned nations. It is a pact that encourages elimination of greenhouse gases to conserve natural climate and prevent global warming, latest by year 2050. This can be attained largely by switching to wind, solar and other renewable sources of energy and scrapping out use of polluting energy sources such as coal, oil fired and other such means.

Social Side

This comprises of a wide ambit of relationships and interactions that the company comes across, ranging from employees to general community. When we wish to analyze this aspect of ESG, the relationship between the company and its working class would be just spot on. It would be sensible enough to ascertain:

- fairness, generosity and competitiveness of remuneration being offered by the company to its workers, in contrast to what competitors are offering as well as what is being offered under best industry practices.

ESG focused investors hold a disparity in orientation with respect to conventional investment minds, as they want much more than bare profits.

- Whether any non-monetary benefits are on cards besides basic renumeration and perks, that could really make a difference. This can include offering fitness activities on premises or providing free and premium food facility or any other unique and appreciable offerings.
- The level of autonomy and professionalism in work practices that promote a culture of merit and transparency.
- Safe and secure business practices are there to promote and health and wellness of workforce.
- Equal opportunity employment opportunities and turnover etc.

On a wider community level, more concerning factors would include:

- How well has the company defined its CSR policy and to what extent is it pursuing such objectives. This includes contributions towards noble and charitable causes as well the stance towards protection of general human rights.
- The perfection in customer relationship management and interaction, duly taking note of its market reputation.
- Sensible vendor selection and retention criteria in line with ESG protocols.

A spotlight on just a few of many aspects of socio-factors reassures how well the company needs to perform in terms of social interactions, to secure a decent

ESG ranking.

Good governance

Finally, the third and equally important element of ESG structure is "governance". This implies, how well the governing executives of company have taken charge of their fiduciary role in light of latest regulations and standards, to secure the interests of all stakeholders.

The term good governance has a far stretching scope that ranges from (i) accuracy and transparency in accounting and reporting, (ii) provision of fair opportunity to all shareholders; for instance, for casting vote over key matters involving strategic policy and decision making, among many other important roles. ESG investor seek an inclusive and harmonized working arrangement between executives and board members of the company, where threats such as conflict of interest or other potential corporate misconducts are mitigated.

The motive for having in place this sound control mechanism is to aid the prevention of a corporate fraud or scandal from coming into being.

The conventional side

It is pertinent to mention that there is no free bargain in this world, everything comes with a price tag. Although this "values" oriented approach sounds tempting, the critics however, have a contradicting viewpoint that essentially seeks consideration. The bottom-line for every business or investment is undeniably; return on investment, the sole purpose, intention or reason for being, whatever name it may acquire. As soon as we pull out additional yardsticks i.e., ESG metrics, it would mean there is no longer a single line of focus, we suddenly find ourself running after too many wants, any or all of which may or may not actually mean anything, after all, when it comes to wealth generation.

To better understand this conceptually, we can refer to Milton Friedman's approach towards assessing an optimal investment, who believed firmly in considering the financial worth and profit earning capability of a company in this regard, while all expenses linked to fulfilling social responsibility are merely an unnecessary blow to real shareholder's wealth.

Another point to ponder is how ESG criteria clearly rules out much of the companies that fail the basic criteria and resultantly, investors are deprived of such opportunities that actually have the potential to perform well, at least "financially".

The new normal

Conversely, investors and companies supporting ESG perspective for decision making know quite well, the fact that rightful earning is not possibly the highest in short run although, it definitely goes a long way and maximizes the cumulative return in the long-run. According to latest studies, it has been observed that ESG compliant ventures, by virtue of being less risky, carry a lower discount rate matching the investors' expectations, thus deliver higher returns.

The key takeaway here is that ESG focused investors hold a disparity in orientation with respect to conventional investment minds, as they want much more than bare profits. Their real satisfaction lies with companies that act sensibly, leaving a positive social impact where it really matters and risk aversion through environmental and legal compliance while conserving the natural habitat for all. Therefore, even if the monetary return under this regime comes down, the non-pecuniary returns would add up to so much more that investors perceive it a win-win situation, attaining psychic contentment themselves, by means of benefits accruing for the society as a whole. This proves that "values" matter more than "simply money".

The way forward

To sum up this discussion, whether or not ESG oriented companies or investment portfolios deserve to carry the "good" tag or tend to offer optimum investment opportunities, remains subjective debate till date, while totally relying upon investors' preference, perception and attitude. As young investors start conquering the stock market with this new approach, it is inevitable to expect a paradigm shift in the way of doing and investing in businesses.

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Environmental, Social & Corporate Governance Management

Muhammad Faizan, ACA

Environmental, Social and Corporate Governance Management

Environmental, Social and Corporate Governance or ESG is a program, an approach or rather a conduct to gauge the extent to which the organization works on social, environmental and governance motto besides its ultimate objective of profit maximization for its shareholders. ESG program is now more of a obligation or necessity that has become integral part of any industry to build a sustainable business. ESG represents a more stakeholder oriented approach rather than shareholder centric approach for undertaking business.

The term ESG was originally derived in early 2005 in a revolutionary study entitled 'Who Cares Wins' conference that brought all the institutional investors, regulators and research analysts across the globe to scrutinize the impact of ESG drivers on the company's performance. In less than a period of 2 decades, the ESG program turned in to global marvel representing more than US$30 trillion invested in ESG oriented activities as per Global Sustainable Investment Review 2018.

ESG program has now become implicit or rather entrenched in the organization's corporate goals and vision making it more practical as a responsibility for their sustainability rather than serving these activities on humanitarian ground. Ezekiel Ward, founder of North Star Compliance Limited has precisely delineated the significant of ESG program for the investors as follows:

'For Investors, ESG is broadly a checklist to say yes, you know the companies in our portfolio have these factors, and that should lead to better return'.

The ESG approach these days is being presumed as one of the foremost criteria used by the institutional investors and sponsors to screen out the prospects of making a long-term investment in any organization. Henceforth, organizations are now moving ahead towards integrating the ESG approach in their business strategies that will empower the organization to continue their operational activities in long-run and provide outlook for business growth, increase productivity, ease of raising funds, build-up reputation and retain talent.

The ESG program consists of three pillars:

E refers to the changes the organization brings in the environment/ climate due to the waste or toxic chemical emission from its production/ manufacturing activities which may affect the life of human creature.

S refers to the societal response of the organization and the level of affiliation the institution stand-in with its internal as well as external stakeholders. It also includes the health and safety arrangement made available with the prospects of equal growth, gender diversity and opportunities to develop & retain talent. Social pillar also embraces consumer protection, data security and human rights.

G refers to the extent of transparency embraced within the corporate culture of the organization, Board diversity, business morals, management structure and tax transparency.

For a successful business model, the organization has to embed ESG drivers systematically within the organizations culture duly linked with their prospective business strategies. For this drive, a direct linkage between ESG drivers and business strategies needs to be established to translate these factors ultimately in profit maximization. The links may vary depending on the business models, organization geographical location, sector etc.

'When it comes to ESG, corporates are looking at this through the lens of business opportunities; new markets that they can open up and sell to, cost reduction and also integrated risk management'. [Ezekiel Ward, founder of North Star Compliance Limited]

The companies with strong motto to deliver quality product without compromising the environmental health are more inclined to progression in their concerned business activities. As per the McKinsey research, people tend to invest and pay more to 'go green'. When Unilever presented a detergent powder under the brand 'Sunlight' which uses less water as compared to other brands, the sale of these water saving products boosted noticeably. Next, with the application of ESG program, organization can substantially cut the cost for the final consumer. The best example is cars with hybrid engines that do not use fuel to function. Thirdly, ESG model also eases regulatory burden with less risk of antagonistic government actions. Supplementary, ESG model also assist in retaining talented human resources with increased productivity and efficiency which have ultimate impact on the company's reputation besides its earnings. The companies that give back to its employees will in response augments the level of employees' enthusiasm, commitment and motivation.

At time the organization may reach to a point where it has to outweighs the interest of stakeholders above the shareholders in order to remain steady within the ESG regime to ensure sustainability. ESG model needs to be derived in the manner that shall harmoniously accentuate on all the three pillars of the model.

The pandemic COVID-19, which has affected the entire globe systemically bringing an outrageous disturbance in every one's life. A life which has never been envisaged before or life which no one even now bothers to re-think. During this tenor of disaster, the government of different countries across the globe has played their decisive role by formulating strategies in the light of ESG models, since government is equally responsible to follow ESG model.

Governments are looking at driving change through policy, and that's driven by electoral forces, that driven by some hard realities on security and infrastructure. So governments again have quite a different policy-driven perspective. [Ezekiel Ward, founder of North Star Compliance Limited]

If we glance at the remedial measures that were adopted in response to COVID by State Bank of Pakistan which includes compulsion of social disturbance, wearing of masks, introduction of Temporary Export Refinance Facilities at minimal rates, reduction in working hours, lock downs etc. which enabled the country to sustain. Henceforth, the same is in the case of every other country's where their respective government has taken immense steps to achieve sustainability through instigating ESG model.

The performance of the company investing and following ESG model relies on independent ratings that helps to identify the behavior of the organization towards environmental routine, social influence and governance correlated matters. Bloomberg, MSCI ESG Indices, Dow Jones Sustainability Index, Refinitiv ESG Score and GRESB Benchmark are few third-party indices which ranked ESG performance of different companies across the globe.

As per MSCI, following are the top 10 MSCI ESG rated companies that have reported almost double-digit growth and income over the past three years.

Rank	Name of Company	Industry	ESG Rating	ESG Actions
1	Nvidia	Semiconductors	AAA	▪ Continued paying vendors/ contractors even in times of COVID ▪ Tripled number of black employees
2	Microsoft	Software/ Infrastructure	AAA	▪ Leadership in energy efficiency ▪ Working towards 100% renewable energy by 2025 ▪ By 2050, company plan to offset all the carbon emissions
3	Best Buy	Specialty Retail	AAA	▪ Achieved 100% waste diversion ▪ Committed USD 10 million towards building teen tech center in Los Angeles
4	Adobe	Software/ Infrastructure	AAA	▪ Achieved global gender pay parity ▪ Invested USD 87 million to benefit underrepresented minorities. ▪ Plan to obtain all powers from renewable sources by 2035.
5	Pool	Leisure	AA	▪ Made donations to human rights organizations ▪ Donated thousands of trees through National Forest Foundation
6	Salesforce	Software Application	AA	▪ Achieved net zero carbon emissions ▪ 100% renewable energy for its operations ▪ Established a racial equality and justice task force
7	Cadence	Software Application	AA	▪ Established a supplier code of conduct to extend its governance standards ▪ Targeting 15% reduction in carbon emission by 2025 ▪ Achieved global gender pay equity
8	Intuit	Software Application	AA	▪ Recognized as one of the best large technology employers ▪ Close to achieve gender pay equity
9	Idexx Laboratories	Diagnostics & Research	AA	▪ Developed a global whistleblower policy to support compliance with company's code of conduct ▪ Reduced energy consumption per sq. foot by 15%
10	Lam Research	Semiconductor equipment	AA	▪ Implementing sustainable measures throughout its organization to achieve 100% renewable energy by 2030. ▪ Net zero emission by 2050.

The term ESG was originally derived in early 2005 in a revolutionary study entitled 'Who Cares Wins' conference that brought all the institutional investors, regulators and research analysts across the globe to scrutinize the impact of ESG drivers on the company's performance. In less than a period of 2 decades, the ESG program turned in to global marvel representing more than US$30 trillion invested in ESG oriented activities as per Global Sustainable Investment Review 2018.

The companies with strong motto to deliver quality product without compromising the environmental health are more inclined to progression in their concerned business activities. As per the McKinsey research, people tend to invest and pay more to 'go green'.

Nevertheless, Pakistan is also ahead in this emerging market where the country has planned to raise environmental bonds entitled as 'Green Bonds' by raising funds amounting to Rs. 1 billion which will be used for improving environmental related concerns such as developing clean water and cleaning up the rural landscape.

The State Bank of Pakistan has also played a decisive role in promoting the ESG program by taking numerous actions which includes promoting green banking by using aboriginal energy particularly renewable energy. For the said initiative, SBP introduced different financing facilities to promote energy projects of up to 50MW capacity using solar, bio-mass and hydro resources. Besides, SBP has also issued Green Banking Guidelines in 2017 in which it encouraged the Banks to promote green funding portfolio and lessen emanation of carbon through espousing paper less activities & services and branches using renewable energy.

The SECP's Listed Companies Regulations 2019 has also entrusted the Board of Directors of the companies to ensure implementation of environmental, social and governance practices and report on measures taken by the companies in this regard. Earlier in 2009, the SECP also issued a Corporate Social Responsibility Order to be complied by all the listed companies followed by Corporate Social Responsibility Voluntary Guidelines 2013 which requires companies to integrate sustainability in the organization.

Despite that ESG is at its impetus across the globe, there are certain dilemma and challenges being faced by the organizations in successfully implementing the model. Lack of reliable metric tool to track ESG performance, dearth of communicating ESG initiatives to achieve competitive lead, inadequate ESG data/ data irregularities, weak interconnection dimension of ESG, lack of basis to bifurcate case of company's growth due to ESG driven factors or other factors, attitude and mindset of all the investors towards ESG factors are certain impediments that come across while implementing ESG model.

Besides, there is still ground to improve reporting standards and disclosure on ESG programs in line with the global standards, formulate stringent SOPs that needs to be meticulously complied and above all recognize the significance of ESG program since it is still an emerging area to ensure that sound measures are being adopted and disclosed accordingly. There is a need to embed the ESG program within the organization's vision and strategy to promote the said culture to next level with a motive to build a sustainable future for now and coming generations.

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Business Responsibilities, Investment Decisions & Legislations

Safdar Ali, ACA

As businesses progress to the Industrialization age in human history many lethal effects of businesses started affecting the society. Hence, a need for legislation arise to tame haphazard industrialization and reduce hazardous effects on human society. The Corporate Social Responsibility (CSR) framework was introduced. Fulfilling of such responsibilities involves the incurrence of cost. The advance form of a CSR model is the ESG ((Environmental, Social and Corporate Governance Management) that are used nowadays by investors while making investment decisions. Investors also belong to the same society. The paradigm shift in investor thinking is a result of the information age and awareness among the investors and the desire to make a good return to the society which is also endorsed by their customers. Today's investor is smart enough to make investment decisions considering the ESG model and in turn gets an internal peace of mind for himself and for his customers.

The necessity of an ESG model exemplified:

Many countries have already established rules and regulations for environmental, social and governance (ESG) with different names. However, they do serve the purpose of an ESG model. Such a code may be developed and operated by the apex regulatory authority. There may be lacking of rules, regulations or a code of conduct in some areas to enforce elements of the ESG model. Below, we will take pharma industry as an example and the malpractices been adopted in this service industry like;

- Doctors & & pharma distributors been offered with expensive gifts linked to specific sales of prescribed medicines.
- Not Valid For Court statement written on every private doctors prescription.
- A run away from the operated patient responsibility regarding complications developed as a result of negligence of the operator or the hospital.

An effective code of conduct developed for different players in the pharma industry will bound professionals and businessman to a particular behavior and there will be a better system of check & balance.

The paradigm shift in investor thinking is a result of the information age and awareness among the investors and the desire to make a good return to the society which is also endorsed by their customers. Today's investor is smart enough to make investment decisions considering the ESG model and in turn gets an internal peace of mind for himself and for his customers.

Environmental necessity:

Today, the world is under the threat of climate change as a result of global warming. Current business practices have a negative role in this climate change. The International Audit & Assurance Standard Board (IAASB) has developed an assurance standard called International Standard on Assurance Engagement (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statement. Businesses which emit Greenhouse Gases (GHG) in the form of Carbon Dioxide (CO2) Nitrous Oxide (N2O) Fluorinated Gases prepare their GHG statement required. A positive reasonable assurance report on the business GHG statement will increase the level of confidence investor. The Chlorofluorocarbons i.e., CFCs (fluorinated) gases are also more dangerous than CO2. For a business it may be an indirect emission like the body spray. The CFCs in body spray are slowly depleting the ozone (O3) layer. When the CFCs raise to the stratosphere, the CFCs are broken down by strong ultraviolet radiations which results in release of chlorine atoms which then react with ozone molecules. Here, the use of water based scents as an alternative is the most environment friendly option as it does not contain any CFCs that may deplete the Ozone (O3) layer. Similarly, there is also a promising reward for plantation which in turn decrease the effects of CO2 in atmosphere and convert it to Oxygen gas (O2) that is essential for life.

Social Necessity

There are businesses which make investments on particular politicians or parties for a payback. In countries like the United States of America (USA) such a practice is legalized. In Pakistan this is not allowed in letter but is followed in spirit. The elected government make decisions to payback supernormal profits to such businesses. Hence, ESG investor needs to read between the lines in Pakistan's environment before their investment decision.

Some organizations are including ethical aspects of being an equal opportunity employer. However, the words of equal opportunity employer are interpreted differently from region to region. In the sub-continent, it will be read with reference to gender, or religion etc. But in Europe it has more extensive meaning. For example, one of the recent fund donation advertisement campaigns in Pakistan elaborates the statement of being an equal opportunity in superfluous detail that makes it controversial and difficult to attract donors from the Muslim society due to ideological differences.

Nowadays countries refrain from interfering in each other's internal affairs, otherwise, serious consequences may result considering an attack on the sovereignty of a nation and then a chain of imposing bans on imports and exports of products and services is triggered. An ESG sensitive may never invest in a such a business area as it goes against international diplomatic ethics.

Corporate Governance Necessity:

Corporate governance reinforces the ESG model. Many countries around the world have adopted best practices in the industry that have resulted in Corporate Governance (CG) rules. The CG rules usually deals with the bigger corporations having substantial public interests. There are also regulatory bodies set up for overseeing the implementation of CG rules and also amending them in order to cater for changing corporate responsibilities.

Corporate governance practices are set of rules, regulations and procedures that are required to be followed by an entity for sustainability. Such rules are formed and issued by a regulatory body. For instance, the Code of Corporate Governance Rules 2013 applicable to Public Sector Companies (PSCs) are formed and issued by the Securities & Exchange Commission of Pakistan (SECP).

ESG a Qualitative need:

By default, quality has no end and so is the case with ESG. Ethically, actions required to be taken are as per circumstances of the situation. Hence, the E and S factors of the ESG model implements a self-responsibility to bound to high standard of responsibility towards the environment and the society. Hence, it is not possible to encompass all situations and the actions required to be taken in each case. Governance practices too have to be adapted as per changing business environment. The ESG model for every business set up under various regimes will be having different dynamics and the investor has to take informed decision after considering the various aspects.

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Environmental, Social and Corporate Governance (ESG) Management for Information Technology (IT) Industry

Jalal Anwar Brohi, ACA

In post COVID-19 era, importance of ESG management for IT industry is widely increased. For IT companies, in addition to the purely financial results, stakeholders are also evaluating the firms' response and performance in the black swan event through ESG criteria:

What ESG Management is for IT Industry?

Environmental: Environmental criteria consider how a company acts in its role as a steward of nature, such as energy use, recycling practices, pollution, and natural resource conservation. The criteria can also be used to assess environmental risks and how the company is managing them.

As many countries shut down activity in the attempt to slow the spread of COVID-19, pictures and technological measurements revealed a drastic reduction in air and water pollution. These show a possible future powered by clean energy, workforce transformation, and environmental stewardship.

Social: Social criteria examine how well a company manages relationships with employees, suppliers, customers, and the community. For example:

– Does the company give back to the community, either monetarily or through volunteerism?
– Do the working conditions and practices show high regard for employees' health and well-being?

In post COVID-19 era, importance of ESG management for IT industry is widely increased. For IT companies, in addition to the purely financial results, stakeholders are also evaluating the firms' response and performance in the black swan event through ESG criteria.

Companies have the resources to accomplish exponentially more than individuals, and as a result bear the responsibility to be good corporate citizens. This is widely recognized by investors, customers, regulators, employees, and corporate leaders.

– Does the company offer discounts or concessions on its products and services (say, high speed internet) during crisis times?

IT companies' examples of corporate citizenship abound during COVID-19. Their efforts included donations of funds, medical equipment and technology, and emergency supplies. These are separate from the herculean efforts of keeping their business offerings available that enable the world to stay connected and productive: ecommerce and social media platforms, cloud networks, and online collaboration and education tools.

Governance: Governance criteria are concerned with a company's leadership, internal controls, executive pay, audits, and shareholder rights. Stakeholders may want to be reassured that a company uses accurate and transparent accounting methods, doesn't engage in any illegal practices, that stockholders are given voting opportunities on important issues, that conflicts of interest are avoided when choosing board members, and that political contributions are not being made to obtain unduly favorable treatment.

What IT companies are Thinking about ESG?

A global survey conducted on the importance of ESG for IT companies revealed following results:

1. 57% agreed that they must look beyond purely financial growth for achieving long term sustainable success,
2. 74% felt it their responsibility to ensure that organization's ESG policies reflected the values of their customers,
3. 45% admitted that they struggled to link their growth strategy with a wider societal purpose,
4. 86% thought that IT industry required more regulation and standards in the area of sustainability,
5. 79% agreed that their organization's growth would be determined by their ability to shift to a clean technology economy.

What IT companies are DOING about ESG?

1. 26% have significant incorporation of ESG into their strategic planning,
2. 34% said climate change is having a high impact on their company's investment / funding,
3. 55% felt that their sustainability experts were very effective,
4. 37% believed that their governance experts were very effective.

Why ESG is crucial for IT companies?

Investor Perspective:

Now-a-days, companies are being analyzed and rated by a number of indices and research firms (based on company disclosures, interviews, media sources, and other data sets) which provide ESG ratings and reports for investors to understand a company's management of ESG issues. Investors will also examine the ESG rating of an acquisition target when evaluating a potential transaction.

Customer Expectations:

Customers not only require IT companies to offer products/services at competitive prices and quality, but are increasingly looking for them to improve their ESG performance.

Social Responsibility and Corporate Citizenship:

Companies have the resources to accomplish exponentially more than individuals, and as a result bear the responsibility to be good corporate citizens. This is widely recognized by investors, customers, regulators, employees, and corporate leaders. However, while many companies certainly support philanthropic and volunteerism endeavors, CEO of every second IT company is struggling to link its growth strategy with a wider societal purpose.

There is also increasing attention on responsible human capital practices. Proposed legislation in the U.S. would require company annual 10-K filings to include a disclosure of workforce demographics, workforce stability, training and capabilities, health and safety, culture and empowerment, and compensation and incentives.

Profitability Correlation:
Environmental and social changes continue to alter the business landscape. Hard-to-plan-for incidents such as COVID-19, climate change events, and cyber breaches are causing businesses high losses from suspension of operations or theft of customer or company data.

Organizations that possess adaptive capacity in response to environmental and social risks will be better positioned to compete and thrive than peers that do not. Prepared organizations will be able to improve the efficiency and resiliency of their business including supply chains, IT operations, and disaster recovery/business continuity plans.

What is the current state of ESG within IT companies?

Increased awareness and appreciation for ESG phenomenon is not fully translated into business practices yet. What IT industry thinks about ESG is very different from what they are actually doing about ESG. IT companies will be asked by investors, employees, and customers to detail their COVID-19 reaction through an ESG lens. But beyond the virus, other catalysts like climate change and social equality are much more long-lasting and illustrate the need for companies to permanently embrace sustained, robust ESG practices.

This is proving to be a challenge for IT companies. Yet COVID-19 represents a sudden and unexpected opportunity for IT companies to review their ESG practices. Perhaps technology leaders will be prompted to increase their ESG efforts, which would have a lasting, positive outcome for all.

IT companies increase ESG practices during COVID-19:

While they still have the opportunity to raise their level of corporate ESG practices, IT companies have shown a glimpse of what this future would look like throughout the COVID-19 timeframe.

Assessing ESG readiness
IT companies can ask these questions to help assess how well they are adapting to environmental and social changes, along with how well their ESG practices are connected to their financial and operational performance.

– How do our investors perceive social and environmental issues?
– Do we have confidence in the data being reported and that it responds to our investors' concerns?
– Are we ready to respond to tougher customer demands to be more socially responsible and environmentally friendly?
– Do we have ESG controls integrated in our corporate governance structure?
– How can our business grow and simultaneously reduce its carbon footprint?
– Are we investing in the innovation of greener products and services to respond to market needs?
– Are the current risk management systems effective at capturing emerging environmental and social risks and opportunities?
– Is our organization's reputation at risk for not meeting our customers' expectations regarding social and environmental performance?
– How would our facilities and supply chain be affected by environmental impacts like extreme weather, water scarcity, etc.?

What ESG Experts Do?

The journey to a sustainable business model that is responsive, adaptive, and resilient can be challenging. ESG experts can help companies navigate the complex and evolving policy, regulatory, and business landscapes to better understand the risks and opportunities related to climate change and sustainability and help them capitalize on the resulting commercial opportunities. ESG experts can help companies build long-term value in a rapidly changing world.

Increased awareness and appreciation for ESG phenomenon is not fully translated into business practices yet. What IT industry thinks about ESG is very different from what they are actually doing about ESG. IT companies will be asked by investors, employees, and customers to detail their COVID-19 reaction through an ESG lens.

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Environmental, social, and governance investment concerns

Adnan Mehmood Khan, ACA

According to the current challenges world is facing these days and debates going on around the globe world, it is highly predicted that, the size of ESG investment is likely to increase on a large scale in coming future. Based on the following, there are some ESG investment concerns need to be addressed:

Major ESG Compliances

Usage and definitions of various terminologies linked with ESG or socially responsible investing (SRI) are ambiguous, vague and need more clarity for the investors. Furthermore, ESG encompasses a wide range of conflicting issues and areas. How should an investor evaluate the importance of carbon emissions versus racial and gender discrimination. For example, some of the ESG compliant investment portfolios comprise of large number of tech companies indicate a positive score on environmental issues, but these same tech companies don't have good historical records in hiring and promoting women and minorities. This shows open contradiction towards the achievement of ESG objectives and going into right direction.

Establish an ESG portfolio

One of the best solution and way forward in this regard for investors is to use specialized tools of financial service providers to establish an ESG portfolio which matches their specific interests and requirements. The financial services and specialized tools of firms are available but there is huge information and transaction costs associated. Achieving consensus on ESG issues, related to investment portfolios, will continue to be more challenging according to the changing and complex scenarios. It is established fact that the Governance issues are easier to gain agreement in comparison of some of the most complex environmental and social issues and it is interesting to note that several empirical studies found that positive Governance scores were linked directly with financial performance and growth.

> **Investors, today, are more interested in understanding the ESG features of their investments.**

Data Management

Issues related to data must be answered. As we expect improvements in ESG, it demands considerable time and efforts to manage data effectively. Some of the companies disclose data related to ESG, and some companies avoid to make it public. It is also observed that some firms disclose inconsistent ESG data. Most of the data figures disclosed are usually self-reported by companies, with often questionable consistency in the current times. Some other data issues are as follows: Materiality - the factors being measured or reported important or fundamental to the company's efforts. Coverage -less than 5% of the world's publicly listed companies report their emissions. Outcomes versus inputs -where measures of outcomes are not available, such as actual quantity of emissions, alternatively inputs such as budgets or staffing which can be identified as addressing emissions. But the efficacy of inputs can be highly variable: a company devoting substantial inputs to pollution concerns may yet have higher emissions than a company with half that level of inputs.

> **There is no universal definition for the various forms of investment which will lead to positive social or environmental outcome in addition to earning reasonable financial return.**

The future of environmental, social, and governance Investing

Some common conclusions about the future of ESG investing:

Investors, today, are more interested in understanding the ESG features of their investments. Therefore, the number of companies providing corporate responsibility reports will increase significantly and the quality of that reporting will improve as well compared to current reporting in this area. Companies will deploy more corporate resources on ESG issues at the expense of financial returns in short term to investors. Core purpose of this significant deployment of the financial resources will be motivated by the strategic objective for the company to be a responsible corporate entity, brand imaging and result of personal interests of those charged with governance. Institutional investors will increase their extent of engagement with the investee companies. Financial service providers will continue in the field of innovation and research related to new ESG products. The quality of ESG will improve.

Empirical studies of environmental, social, and governance investment performance

There are many historical studies in this area indicating conflicting results, several studies support the fact that companies with strong ESG performance also score at a high level on traditional financial indicators.

Results in a summarized form of the studies indicates that as follows:

90% of the studies show that sound sustainability standards lower the cost of capital;

> **It is interesting to note that several empirical studies found that positive Governance scores were linked directly with financial performance and growth.**

88% of reviewed sources find that companies with comprehensive sustainability practices leads to better operational performance, which ultimately converted into cash flows; and 80% of the reviewed studies support the conclusion that companies with strong ESG performance also score positively on traditional financial indicators.

100% of the academic studies demonstrates that companies with high ESG ratings have a lower cost of capital in terms of debt and equity and 89% of the studies shows that companies with high ESG ratings indicated market-based outperformance, while 85% of the studies show these companies indicated accounting-based outperformance.

ESG, SRI, and impact investing

There is no universal definition for the various forms of investment which will lead to positive social or environmental outcome in addition to earning reasonable financial return. The term "environmental, social, and governance (ESG) investing" is attributed to a 2004 report (The Global Compact, 2004) which reported the conviction of more than 20 of the world's largest financial institutions that positively addressing ESG issues is important to the overall quality of companies' management. They further stated that: "Companies that perform better with regard to these issues can increase shareholder value by, for example, properly managing risks, anticipating regulatory action or accessing new markets, while at the same time contributing to the sustainable development of the societies in which they operate. Moreover, these issues can have a strong impact on reputation and brands, an increasingly important part of company value. ESG is sometimes used as a catchall label to describe any investing style which has an element of social purpose. Investors or fund manager invests in public debt and/or equity, often via mutual funds or exchange-traded funds. The portfolio often has an objective of earning a market rate of return, while investing in assets which score favorably on ESG factors.

Socially responsible investment

Socially responsible investment (SRI) focuses on the impact of companies in specific areas of interest. It most commonly involves investing using a negative screen which would exclude companies engaging in activities the investor finds undesirable. For example, an SRI investment strategy could exclude companies involved in alcohol, tobacco, gambling, and/or guns. Countries with patterns of human rights abuses have also been screened out of portfolios.

This investment style doesn't always have to be focused on exclusion of bad actors. It may instead proactively invest in companies which feature activity in social justice, or environmental solutions. It may also include investment in organizations providing services to a local community. But the most common distinction is that SRI factors result in screening out certain companies while, in contrast ESG investing gives guidance on what companies to include within an overall portfolio approach. A major concern is that a strategy of simply excluding companies may lead to portfolio returns that underperform market benchmarks. Older studies showing the historical underperformance of these funds are often cited as evidence of the poor performance of all SRI and ESG funds, whether divestment oriented or more sophisticated.

Finally, we can say ESG investing at its core seeks to contribute assets to companies pursuing ESG goals, or to influence companies to do so. But some questions to what degree companies should pursue nonfinancial goals. One of the most important writings on the purpose of a firm is Milton Friedman's "The social responsibility of business is to increase its profits" (Friedman, 1970). The majority of corporate executives, boards, and investment managers still agree with Friedman's view but after 50 years, many others think that this is not the whole answer.

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Climate Change

Shoaib Sultan, ACA

Introduction

Our planet is heating up rapidly and it's a scientific fact that humanity will face disaster if we don't cut down on greenhouse gas emissions massively and quickly. But climate change itself is not our problem. It's merely a symptom of another problem that's even bigger in scale and that many people don't quite see yet. If we don't succeed in understanding and solving this core problem (which is the root cause of many other problems as well), we won't be able to tackle climate change either.

Climate change impacts manifest in the form of irregular changes and more severe weather patterns, leading to floods and other natural calamities. Although there is no single internationally accepted definition of vulnerability to climate change, Pakistan ranks among the top 10 most vulnerable countries in various indexes and reports. According to one assessment, Pakistan is at number eight in terms of vulnerability to climate change. The losses suffered because of climate change and its vulnerability exacerbates myriad challenges including internal security, population bulge, growing energy gap, issues with education and healthcare systems, and increasing unemployment.[1]

Pakistan CPEIR 2015 Key Findings: [1]

I. Climate Change has been recognized in Pakistan as a core component of the development model required for growth, poverty reduction and wellbeing of population. This is embedded in national economic policies such as the Framework for Economic Growth (FEG) 2011, Vision 2025, and the accompanying Medium- Term Development Plan (2010–2015).

II. The demand for more energy and the need to mitigate growing greenhouse gas (GHG) emissions require substantial investments of over 5% of GDP.

III. The number of climate-relevant projects within each government institution varied widely across the studied years. The total federal expenditure on climate change was estimated to be in between 5.8 to 7.6% of the total public expenditures.

IV. In the 18th amendment of the Constitution the climate change responsibilities have been concurrently assigned to both federal and provincial governments. Mainstreaming climate change across sectors is a challenge and there is confusion on responsibilities, in terms of defining the federal and provincial mandates. In the case of provinces, the climate policy impetus is provided under the Provincial Environmental Protection Act, 2014 with the institutional remit for climate designated to the Climate Change Cell within the Environmental Protection Agency (EPA).

V. Climate change is not routinely considered in the selection of development expenditures and allocations in Pakistan. As a result there is no public financial management driver for climate-sensitive budgeting for development budgets.

VI. The integration of climate change in the budget process requires concerted efforts from the Ministry of Finance (MoF), Ministry of Planning Development & Reform (MPDR) and Ministry of Climate Change (MCC). The development of a Climate Change Financial Framework (CCFF) can serve as the instrument to link climate change policy with budget allocations.

1 Source: Pakistan Climate Change Financing Framework Oct 2017 (report published on https://www.climatefinance-developmenteffectiveness.org/sites/default/files/publication/attach/Pakistan-CCFF-Oct-2017.pdf)

CPEIR (Climate Public Expenditure and Institutional Review)

Greenhouse Gas Emissions and its Sources

Greenhouse gases trap heat and make the planet warmer. Human activities are responsible for almost all of the increase in greenhouse gases in the atmosphere over the last 150 years. The largest source of greenhouse gas emissions from human activities in the United States is from burning fossil fuels for electricity, heat, and transportation.

Pakistan emitted 342 million metric tons (MtCO2e) in 2012 (which is 0.72% of world total), with the energy sector contributing 46 percent to overall emissions, followed by agriculture (41%), land-use change and forestry (6%), industrial processes (5%) and waste (2%). Greenhouse gas emissions increased by 87 percent from 1990 - 2012, primarily due to the energy and agriculture sector emissions. [2]

Energy: The electricity and transportation subsectors were the main drivers of energy sector emissions growth, contributing 30% and 27%, respectively, of the total energy sector increase. The relative share of GHG-intensive fossil fuels (coal, oil, and natural gas) in the electricity generation mix increased from 54% in 1990 to 64% in 2012. The total amount of electricity consumption also doubled during this time, from 31 billion kWh in 1990 to 77 billion kWh in 2012, driven by improved access to electricity, from 60% of the population in 1990 to 94% in 2012. The number of motor (private) vehicles registered increased from 2 million vehicles in 1992 to more than 9 million vehicles registered in 2011, driving an increase in consumption of fuel oil and compressed natural gas in the transport sector. [2]

Agriculture: 54% of emissions growth from this sector is due to enteric fermentation while another 18% came from synthetic fertilizers and 14% came from manure left on pasture. These trends are accompanied by growth of the livestock population, which increased at an annual growth rate of 2.4% between 1990 and 2000, and approximately 3.5% between 2001 and 2011. The largest sector of Pakistan's economy, agriculture contributes about 24% of the Gross Domestic Product (GDP). [2]

[2] Source: GHG Emissions Fact Sheet Pakistan https://www.climatelinks.org/sites/default/files/asset/document/GHG%20Emissions%20Fact%20Sheet%20Pakistan_6-3-2016_edited_rev%2008-18-2016.pdf

Climate baseline and climate future

Vulnerability, Risk Reduction, and Adaptation to Climate Change published by World Bank in April 20113, following are the priority adaptation projects:

- o Water management and planning for the Indus
- o Adjusting cropping patterns and type with water availability
- o Fodder banks/improved feeding to help restore degraded lands
- o Monitoring coastal zones in order to protect biodiversity

Below is the climate baseline summary for Pakistan (since 1960) 3:

- o Mean rainfall in the arid plains of Pakistan and the coastal belt has decreased by 10-15%.
- o Over the same period mean rainfall in Northern Pakistan has increased.
- o The number of hot days has increased by 20 days.
- o The number of hot nights has increased by 23 days.
- o The number of cold nights has decreased by 9.7 days.
- o The number of heavy rainfall events has increased, and the nine heaviest rains recorded in 24 hours were recorded in 2010.

SpringerLink published in December 2019 4 that the devastations and damages caused by climate change are apparent across the globe, specifically in the South Asian region where vulnerabilities to climate change among residents are high and climate change adaptation and mitigation awareness are extremely low. Pakistan's low adaptive capacity due to high poverty rate, limited financial resources and shortage of physical resources, and continual extreme climatic events including varying temperature, continual flooding, melting glaciers, saturation of lakes, earthquakes, hurricanes, storms, avalanches, droughts, scarcity of water, pest diseases, human healthcare issues, and seasonal and lifestyle changes have persistently threatened the ecosystem, biodiversity, human communities, animal habitations, forests, lands, and oceans with a potential to cause further damages in the future. The likely effect of climate change on common residents of Pakistan with comparison to the world and their per capita impact of climate change are terribly high with local animal species such as lions, vultures, dolphins, and tortoise facing extinction regardless of generating and contributing diminutively to global Greenhouse Gas (GHG) emissions. The findings of the review suggested that GHG emissions cause climate change which has impacted agriculture livestock and forestry, weather trends and patterns, food water and energy security, and society of Pakistan. This review is a sectorial evaluation of climate change mitigation and adaption approaches in Pakistan in the aforementioned sectors and its economic costs which were identified to be between 7 to 14 billion USD per annum. The research suggested that governmental interference is essential for sustainable development of the country through strict accountability of resources and regulation implemented in the past for generating state-of-the-art climate policy.

[3] Source: Climate Risk and Adaptation Country Profile
https://climateknowledgeportal.worldbank.org/sites/default/files/2018-10/wb_gfdrr_climate_change_country_profile_for_PAK.pdf

[4] Source: SpringerLink (a web portal facilitates scientific research)
https://link.springer.com/article/10.1007/s10661-019-7956-4#:~:text=The%20effects%20of%20climate%20change%20in%20Pakistan%20are%20highly%20severe,heat%20waves%2C%20saturation%20of%20lakes%2C

Task Force on Climate-Related Financial Disclosure

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. In June 20175, TCFD published final report which includes the TCFD recommendations on climate-related financial disclosures are widely adoptable and applicable to organizations across sectors and jurisdictions. They are designed to solicit decision-useful, forward-looking information that can be included in mainstream financial filings. The recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets.

TCFD Recommendations and Supporting Recommended Disclosures are mentioned below:

1) Governance - Disclose the organization's governance around climate related risks and opportunities.
   a) Describe the board's oversight of climate-related risks and opportunities.
   b) Describe management's role in assessing and managing climate-related risks and opportunities.
2) Strategy - Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.
   a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
   b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.
   c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
3) Risk Management - Disclose how the organization identifies, assesses, and manages climate-related risks.
   a) Describe the organization's processes for identifying and assessing climate-related risks.
   b) Describe the organization's processes for managing climate-related risks.
   c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.
4) Metrics and Targets - Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
   a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.
   b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
   c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

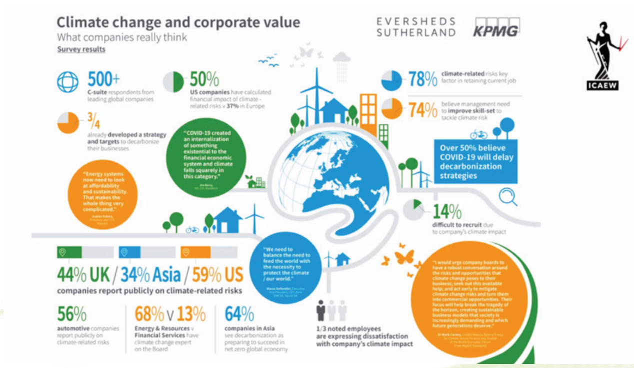
Scope 1 refers to all direct GHG emissions.

Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.

Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions.

[5] Source: TCFD – Final Report
https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf

ICAEW shared to its member a survey result:



Conclusion:

Climate change is not a problem of one country or specific industries. It is a combined responsibility for all stakeholders including general public and professionals to play their part in restoring the environment of the society for our future generations.

Shoaib Sultan is an Associate member of ICAP and ICAEW, working as Financial Management and Reporting Director in a Healthcare sector. He is also a part of ICAP's PAIB Committee.

Many people annoyingly say 'Not Interested to Takaful or Life Assurance' without realizing that how society treat their family in financial bad days

Syed Imtiaz Abbas Hussain, FCA

Why life insurance or Takaful is necessary for a happy wise family or a progressive business? Because people are helpless and don't know what will happen good or bad to life or business in next day or even now or even in next moment except Allah Who only knows about it. Allah has not made people totally helpless but has given advice in Surah Yousuf (ES) in Quran to do planning in good days for bad days to overcome problems. That is why efu takes ALL TODAY and TOMORROW'S financial worries of a wise family / family business and give guarantee to provide huge funds for children's higher education or on marriage of daughters, or on retirement or to business in financial crisis, even provide huge funds if, Allah forbids, something bad happened to head of family / businessperson due to critical disease (Heart attack, cancer, severe diabetes etc.), accidental disability (by road, air or sea) or untimely death.

It was observed that many people who have no knowledge about Takaful / life assurance or even those who don't want to know about life assurance or Takaful feel proud to say "not interested" when consultant / agent of Takaful or life assurance approach them without realizing that how society treat them when he / she want huge funds for their daughters marriage or higher education of their bright children or even when their boss give letter of retirement at age say 60 years while their family expenses are at peak and having no savings or investments; and even how society including their relatives, friends and misguiding people treat their family in financial bad days when income stop due to his / her disability or death. Remember relatives, friends and misguiding illiterate pundits never help and even avoid receiving telephone calls of deceased person's wife or children knowing they must call for money.

People inspired by different psychological factors/believes forcing them to say "NOT INTERESTED" to consultant / agent of life assurance / Takaful, are simply responsible to make an unhappy family or loosing family business, to face daily financial death and putting family in miserable condition in the society. Some of these are

Why life insurance or Takaful is necessary for a happy wise family or a progressive business? Because people are helpless and don't know what will happen good or bad to life or business in next day or even now or even in next moment except Allah Who only knows about it.

1. Mistakenly believing that they already have company's / employer's life insurance benefits, without realizing that such company benefits are confined to ONLY death, accident and / or hospitalization **AND not give cash without interest** for huge expenses like children higher education / marriage, loan repayment, jobless/ retirement period etc. **Further these life assurance facilities stop when employee leaves job;**

2. Having strong believes on investments like shares, property, bank deposit etc. without trying to understand that **EFU life assurance / EFU Takaful are basically a family financial protection and secondary as an investment**. For example if a person (salaried or businessman) deposit Rs. 500,000/- in a bank and same amount paid for efu life insurance / Takaful. If Allah forbids next month expires by accident. Bank will pay Rs. 500,000/- with one month interest, while efu life insurance / efu Takaful will pay Rs. 57.5 million. **This is called family / business financial protection**, which has unmatched rate of return as compare to other investments;

3. Ignoring by mere saying "not interested in insurance / Takaful' without having its proper knowledge" as they believe on "Allah Tawakkal" while not following Allah's orders and instructions etc. Actually on the back of their mind is that if something bad happen to them. **They will ask their relatives and friends to put money on begging bowl as their rights, to meet that financial disaster** while beggaring is not allow in Islam. As per Hadith "A man said, "O Messenger of Allah, should I tie my camel and tawwakal (trust) in Allah, or should I leave her untied and tawwakal in Allah?" The Messenger of Allah, peace and blessings be upon him, said, "Tie her first and trust in Allah."(Sunan al-Tirmidhi 2517)";

4. Many person always against life insurance / Takaful **who has no family responsibilities and having no worries for their future**, are those whose wife is doing job and maintain house expenses OR whose parents are rich and maintain his family financially;

5. People who have **black / illegal money and so can't give crossed cheque for legal payment** of premium / contribution to Life insurance / Takaful to avoid to be trapped;

6. Strongly believing that their business will always progressive and will never come down **without realizing that business is based on risk and rewards**. When business face with risk like untimely death of owner due to disease, disability or death, facing natural calamities, back fire due to wrong or illegal business decisions etc then their business comes on road and hit family also financially as their business creditors and bankers will approach not to business Managers but to family members for their recoveries and make their life miserable and disrespectful.

Syed Imtiaz Abbas Hussain is a fellow member of Chartered Accountants of Pakistan and has experienced of 28 years in different capacities as head of finance & accounts, audit partner, business & life assurance/ Takaful advisory service, and contributes in journals and dailies.

Look Good, Feel Good 365/7

Altaf Noor Ali, ACA

Appearing in professional exams is demanding, no doubt. Those who take studies seriously hardly bother about how they look; they only wish to do their best in the exams. True?

I went through this line of reasoning while working for my qualification. With so much to cover and so little time, why should one bother about appearances? The examiner is not going to assess your paper considering how you looked on the day of exam!

Apparently, most of the candidates think that way. That is the reason why you find many on the exam day with red shot eyes, not rested, unshaven, straight hairs, clothes – which look as if freshly picked up straight from drying wire minutes before being adorned, slippers or at best sandals. Imagine how one looking at all these would feel with so many around you in such demeanor. Are you there to attempt an exam or attend the last rites?

Somehow, I could never dress like that!
A possible reason may be was an unwritten rule at house: I will have breakfast at home no matter what.

As I use to take my seat on our dining table for breakfast, my mother often use remark from the kitchen: "How's my child looking today?"

Knowing that I will have to sit for the breakfast and my mother would be asking that question made me alert. I use to be more careful with my appearance.

A good look is made up of so many small chores. For gents it is shave and shower, comb you hair, adorn ironed matching sober clothes and polish your footwear, to start with.
So what kind of feedback I use to get from my mother? "You look good!", mostly. But at times when my hairs or nails were a little long, I use to get a polite rebuff.

I found that the start of my exam days was not different from any other day. I use to put my maximum effort in calming myself by not fanatically doing the last moment revision. Indeed on exam days my mother use to make special effort to a delicious breakfast. "Eat well; you need a lot of energy to ace your exams!"

All of this, as you can see, was to make me so feel good and ready for the challenge. With such training, I have come to believe that the most important thing for you is to feel good on such days, and every day.

At the examination center, I must have looked calmed and happy to others as many use to come and joke if I have come to attempt an exam or a wedding?

My message is simple: do work hard before exams not few hours before exams and make sure to look good; and more importantly feel good and confident. The way you feel has a direct outcome on your efforts.

Altaf Noor Ali, ACA is a chartered Accountant, working at Altaf Noor Ali, Chartered Accountants. The author believes in service to the profession with his writings.

SWIFT – ARE THERE ANY ALTERNATIVES?

Nasir Manzoor, ACA

Transparent, instant, across the borders money transfer is neither a joke nor a difficulty but a routine based transaction in today's modern world. Apart from some procedural banking operations, the underlying infrastructure which enables smooth money transfer is known as SWIFT.

Transparent, instant, across the borders money transfer is neither a joke nor a difficulty but a routine based transaction in today's modern world. Apart from some procedural banking operations, the underlying infrastructure which enables smooth money transfer is known as SWIFT. **SWIFT** took the throne of **TELEX** – the only international fund transfer system in operation earlier, by removing its imperfections of sluggish speed, security concerns and free message format.

Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a corporate body incorporated under Belgian Law to provide the financial messaging services among the member banks or financial institutions using a standard language. This financial messaging service is provided through SWIFT message. A SWIFT message is also referred as SWIFT Code or Bank Identifier Code (BIC). It is SWIFT which enables individuals and businesses to remit and collect payments through electronic cards, as all major credit or debit card companies (VISA, Mastercard, Amex, etc.) operate through SWIFT.

SWIFT Code is used to identify and securely connect with destination bank or financial institution worldwide. It is composed of 8 – 11 unique characters in an orderly structured format to identify Bank, Country, Location and Branch. This code is assigned by the SWIFT to each member financial organization. A quick decomposed synopsis of SWIFT code is as follows:

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1. **Bank Code** – The first four letters represent the bank
2. **Country Code** – The next 2 letters identifies the country where the bank is located
3. **Location Code** – The next 2 letters designates the location usually the city.
4. **Branch Code** – Last three characters specifies the particular branch of the bank

At present more than 11,000 banks, financial institutions and corporate bodies in more than 200 countries are members of SWIFT. The significance of SWIFT messages in these modern times can be envisaged by the fact that, in 2021, an average of 42 million FIN messages per day are recorded to execute financial transactions across the world. So if we construe SWIFT as the respiratory system of today's swirled financial structure it may not be wrong.

Just like in a blackout the world comes to a halt, the whole electronic financial world seems to lose its very existence if it is pierced from the SWIFT system. Not just the international trade payments are jammed but every individual transaction which involves an online payment through credit or debit card such as buying food, groceries, cricket match or movie tickets etc. is vanished in a glimpse. The question is, is it possible that SWIFT denies the provision of its services to a certain bank or group of banks confined in a territory or otherwise. The answer is yes, despite the fact that SWIFT is a neutral corporate entity, yet it bounds to impose any sanction to expel from its system any financial institution if that sanction is approved by the Belgian government under an international agreement or otherwise because SWIFT is incorporated under the Belgian law. Apart from the recent sanctions on Russian banks, North Korea and Iran are not yet forgotten victims.

Geopolitical alignment of Pakistan alongside geopolitical alignment of our rival India, its vested military and non-military ties with Russia, its Rupee-Rouble agreement, Pakistan's redundant dependency on International Monetary Fund (IMF) Programs and our day by day greater reliance on China Pakistan Economic Corridor (CPEC) initiative pointing that brewing distantly between the war of Russia and Ukraine may not be easy.

Strategic moves on both political and economic fronts can steer our ship in these deep waters. Russia and China already developed to a certain extent their own financial messaging systems. 'System for Transfer of Financial Messages' (SPFS) is a Russian equivalent of the SWIFT financial transfer system, developed by the Central Bank of Russia, whereas, Chinese Cross-border Interbank Payment System (CIPS) is backed by People's Bank of China. But these systems are relatively new and immature as compared to SWIFT. Other than that Blockchain based Crypto currencies can be an alternative. But the degree of their regularization, scalability and acceptability as a medium of exchange are still in the gray, yet possess a lot of potential to come ahead and prove their worth in the coming days.

Economy and Technology are the modern weapons used in aid to conventional warfare efforts. Financial sanctions in conjunction with lethal use of computing technology possess all the ability to force kneel down to a nation without even a single bullet shot. Strengthening the defense against these modern weapons and to have an alternative plan is a way to move forward with reduced risk.

Henry A. Kissinger former United States Secretary of State and National Security Advisor under the presidential administrations of Richard Nixon and Gerald Ford, once wrote that foreign policy is the art of establishing priorities and the test of policy is how it ends, not how it begins. Public discussion on Ukraine is all about confrontation. But do we know as a nation where we are going? The regulators and leaders of our country have been tested with yet another challenge to advance on certain policy decisions. Besides choosing carefully strategic alliance with the global powers it's high time for the regulators to consider developing an alternative to US dominated SWIFT payment mechanism. Joining hands with SPFS and CIPS can prove itself handy to smoothen trade with countries facing American sanctions. Initiatives at domestic front like "RAAST" are noteworthy and should be encouraged but there is a lot more to do.

The Technology has always preceded regulation, making regulatory options more complicated. The same is true for crypto currencies. There is an immense need for regulators in Pakistan to mold this technological challenge and take a proactive approach to harness this complex modern technology for their advantage.

Nasir Manzoor is a Chartered Accountant and working as a Head of Internal Audit in Hinopak Motors Limited.

Digital Transformation

Farheen Shehzad, ACA

This is an Era of 4th Industrial Revolution which is rapidly transforming the technologies and challenging the traditional ways of doing businesses. The technology we used a decade ago has now become obsolete and outdated thus rendering the businesses vulnerable to new technologies and adaptation to new ones has become inevitable. It is an era of continuous digital revolution.

"The next five years will be more disruptive than the last 15. This is not business as usual. A lot of technology that came in three years ago doesn't work anymore," Saul Berman, IBM.

Moreover, the Covid 19 pandemic has disrupted the markets and made it clear that only businesses which are technology driven are sustainable; as the pandemic has itself transformed the world and urged many towards going digital. On one hand most of the businesses have shut down and people lost their jobs but at the same time it has shown some innovative ways of capturing business and remote working opportunities.

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> Digital transformation however, just for the sake of digitisation is not successful. There has to be a vision and set of goals that an organization seeks to achieve through digital transformation. An organization should adopt a digital strategy to achieve digital transformation. It is a company-wide change of business model in which core functions and operations of the company need to go through an integrated digital change.

"There is no alternative to digital transformation. Visionary companies will carve out new strategic options for themselves; those that don't adapt will fail," Jeff Bezos, Amazon. Digital transformation however, just for the sake of digitisation is not successful. There has to be a vision and set of goals that an organization seeks to achieve through digital transformation. An organization should adopt a digital strategy to achieve digital transformation. It is a company-wide change of business model in which core functions and operations of the company need to go through an integrated digital change. In simple words the application of digital technologies to alter existing business models for value creation is called digital transformation.

Digital Transformation has four main areas:

- Technology
- Data
- People
- Organizational change

Digital transformation requires enormous investment in digital assets (both hardware and software) to store data, information and communication systems to cater for AI, Machine learning, IoT, Blockchain and Robotics. Since the availability of smartphones consumer behavior has drastically changed over a period of time. They can view products online, chat with the agents and other customers, check reviews and compare things online. The customer has become digitally smart and there are apps that are strongly used by customers to help them with buying decisions at the ease of being home and having an internet connection. The more information available to him will make it easier to make decisions to buy a product or not.Therefore, companies need to be as quickly responsive to customer needs as possible and think of ways for value creation. This pattern has drastically changed the business model and only firms that leverage these online facilities are more competitive than those which lack digital advantage. The company also needs to establish digital connections with the suppliers, peers and coworkers within and outside the organization for better and improved communication purposes.

"Going digital is no longer an option, it's the default," Natarajan Chandrasekaran, CEO & MD Tata Consultancy Services.

Digitalisation cannot be achieved without digitalised data which means encoding analog information into digital format. The companies need to have digital smart and reliable data that can be used for decision making purposes.These new technologies provide the company with information about customer experiences and behavioral changes over a period of time. It enables the company to analyze big data and use the data to make customized products and services. Digitalisation has led to more competition among businesses and crossed the borders and those who are digitally advanced have greater chances of winning the business. This requires the company to continuously analyze the current market dynamics and modify its products and services with changing market demands which is not possible without use of these technologies.

Digitalisation is about creating business opportunities by altering the traditional ways of doing things and creating value to customer experience by adapting digital technologies.

The importance of reliable data in a digital world cannot be undermined. Data which is more streamlined, integrated and vastly available throughout the organization, thus enabling the stakeholders to quickly process available information into products and services. This requires organizations to have people with new skills like bag data analytics, AI, cyber security, block chain, cloud computing etc. These technologies have drastically changed the business models and forced them to go through an organizational overhauling.

"Digital transformation is more about humans than digital," said Brian Solis.

Investment in human assets also needed alongside technology. Adopting a technology is not as difficult as changing the mindset of people. A cultural and behavioral change is needed within an organization to make it successful. It challenges the status quo and traditional ways of doing business. As people are more vulnerable to new technologies they need to understand the importance of modern technology in the current scenario. If people are not adapted to new technologies they will also become redundant like outdated technologies. They need to train and develop themselves to fit with digital ways of working. Although the emergence of technology cut down some of the cumbersome and time consuming tasks performed by

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humans, on the other hand a human is required to do a more critical task of analyzing the available data and making decisions based on it. The company needs digitally smart workers who can create value by transforming the information into required products and services. Digital transformation requires the IT function from being a custodian of information and communication systems to become a value creation team who continuously performs research and deploys innovative technologies to adapt market dynamics. It also requires the marketing team to become more innovative and analytical to develop tailor made and customized products and services to meet customer demands. According to Peter Drucker, an American Consultant **"The Enterprise, that does not innovate ages and declines, and in a period of rapid change such as the present, the decline will be fast."**

The future of work will also change as already experienced in the pandemic. Similarly remote learning has taken place physically and online learning is now becoming a trend. There are a variety of courses available to students that can now take those courses at their ease and also

provided with the certifications. Remote working is growing up now and the employer can choose an employee of his choice from around the world. Freelancing has also got popular as technology has opened more options of work from home.

Digital transformation is required as a result of new technologies, increased competition and digital customer behavior. It has also paved the ways for small and medium enterprises to explore new avenues of working and building digital customers network. The availability of digital platforms has shown remarkable growth over a period of time. Google, for example, grew from 1 billion searches per year in 1999 to 2 trillion in 2016, implying a growth rate of 50% per year over a 17-year period (Digital, 2017). The lift-sharing platform, Lyft grew from 2.7 million rides in 2013 to 162.6 million in 2016, resulting in an annual growth rate of nearly 300% (Business Insider, 2017b). Similarly, the number of active Facebook users grew by roughly 25% per year between 2009 and 2017 (Statista, 2018).

The pandemic has forced the leaders to accelerate their digital transformation drive in order to be resilient in a world of disruptive technologies. It requires companies to continuously evolve and adapt themselves with the state of the art technology. These are challenging times for CEOs and continuous pressure from investors and other stakeholders to transform and be flexible to meet any unforeseen and unanticipated events such as the recent pandemic.

A survey was conducted by Deloitte and Fortune in 2021, in which 85% CEOs indicated that their organizations had significantly accelerated digital transformation during the crisis, with three-quarters seeing the pandemic as fostering the formation of latest partnerships and alliances. There are lessons to be learned from the worldwide crisis and need new strategies to be built and adopted by CEOs focusing on profits to be reaped through digitalisation. There is a need to build a digital ecosystem of customers, suppliers, workforce, collaborators and partners to meet the changing market expectations.

Pakistan is also enroute to digital Pakistan mission. The government has taken several steps towards achieving digital Pakistan vision in order to cultivate a digital culture in the country and promoting ecommerce. As the number of citizens using smartphones is rapidly increasing, the government has taken initiatives with respect to mobile services tax reforms. Mobile industry has significantly contributed to the economic growth of the country and is expected to reach $24 billion by 2023. Pakistan is well positioned to play a major role in the world economy and it's necessary to build and support digital networks and platforms throughout the country to achieve economic growth. The banking industry is already in the front line with respect to digitalisation and online banking, mobile apps, epayments services made it possible to provide hassle free and instant services to customers. Perhaps digitalisation and technology has made it easier to do business now as compared to a decade ago. Due to this reason many digital start ups have been introduced and also shown an increase in entrepreneurial activity in the country which is a good sign. In short, digitalisation will broaden the base for foreign investors and provide new business avenues to locals and will also help to balance economic and social disparity in the country.

Farheen qualified her CA in 2006. She has chosen to be homemaker and freelancer writer on latest developments in technology.

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