

CORPORATE SOCIAL RESPONSIBILITY



LLM (Corporate law)

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Despatch No. 874
Date: 12-5-15

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TH-16078 W/M
Accession No

MIS
658.408.
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Social marketing.
social responsibility of business
Corporate legal regime

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INTERNATIONAL ISLAMIC UNIVERSITY, ISLAMABAD

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DECLARATION

I HEREBY, declare that this dissertation is original and has never been presented in any other university or institute of learning. I also declare that this thesis has never been copied and any secondary information used has been duly acknowledged in this dissertation.

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(30th DECEMBER, 2014)

DEDICATION

This thesis is dedicated to **ALMIGHTY ALLAH** who is the most merciful and helpful and to my precious and beloved parents, who groomed me and taught me the way of life, for this unconditional love, moral and financial support and also for their care and prayers. May Allah always showered his blessing upon them.

ACKNOWLEDGEMENT

- Firstly, I would like to gratefully acknowledge Allah Almighty, who is most merciful and helpful to complete this work successfully by this countless blessing. Allah almighty always supported to me through out of my life in a number of ways and now also because of his blessing, I have been able to complete this thesis.
- The most earnest acknowledgement must go to my supervisor Mr. Yousaf Amanat for his patient guidance, encouragement, invaluable advice and many fruitful discussion throughout this study. His critical eyes and enlightened thoughts were instrumental and inspiring.
- I am grateful to my worthy teacher and mentor Sir Imran Ahsan Nayzee who defined my direction in journey of this work, without whom I would not have been able to achieve this success and special thanks and prays to my friend Mr Mahroof Bhatti whose company and guidance brought me to this level.
- After that, I owe my deepest gratitude to my parents for supporting me throughout all my studies. They helped me in difficulties throughout the course of this thesis and also encouraged me with patience in my stressed mood. I would like to thnaks my whole family for providing a loving environment for me.

- I will extend my thanks to my teachers and mentors.their appreciations to my work as well as their encouragemet and motivations. It is an honor for me to thanks them for all their best wishes for me.
- It will be injustice if I don't acknowledge and thanks my friends and colleagues,specially Mr Adnan Yousafzai, who have encouraged and support me. I sincerely thankful to them for providing me the envrionment of fun and joy and for everything they brings me as a friend.
- Lastly, I would like to thanks Allah Almighty and also to all praying and helping hands for me.

M SHAFIQ-UR-REHMAN DAB

(30th December 2014)

LIST OF ABBRIVIATIONS

CSR	Corporate Social Responsibility
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
ICJ	International Court of Justice
IEC	International Environmental Courts
ISO	International Standards Organization
UNCED	United Nations Conference on Environment and Development ()
USA	United States of America.
UK	United Kingdom of Britain.
NRL	National Refinery Limited.
RBI	Responsible Business Initiative.
GRI	Global Reporting Initiative.
ECPL	Engro Chemicals Pakistan Limited.

ABSTRACT

Since its inception from economic to legal principle, the CSR is one of important notion of Corporate legal regime. This principle is adopted at international, regional and national level. This thesis offer a detailed examination of how the CSR is adoptioning and funtioning in the corporate sector, talking the historical development, its application and adoption in business sector. This research work provides the CSR implementation in Paksitan after comparative analysis with other legal regimes. The legal regimes have best legal practices in implementation of CSR, because it comprised the developed and developing practices, which can be helpful to derieved appropriate legal measure for Pakistan. The dissertation narrates that the existing corporate legal regime regarding CSR, which is limited in implementation in Pakistan.

The dissertation identifies first the definition, history and parameter in the legal perspective, which was adopted in various legal practices and corporations strategies. This research has been undertaken with the sole objective of introduction and implementing CSR in Pakistan. This is relatively a new concept in the ever-growing world of MNC's and implementation of CSR in Pakistan's perspective. The concept is special in the sense that besides being a means to check to unruly the MNC's and other public bodies, which put impacts on corporate culture while the CSR is the effective norm of law to protect the individuals of state throuhg their CSR practices . It provides a platform to the state and society to implement such policies related to CSR for the better reputation of corporations' contribution.

PREFACE

This dissertation describes the implementation of Corporate Social Responsibility (CSR) in Pakistan's corporate legal regime. The CSR is part of modern era philanthropic contributions of corporations and their policies and law. Though in our research work, we mainly focus on legal aspects of this CSR. A debate is undergoing in the world about the implementation of CSR at international, regional and domestic level. The world is divided into various approaches of legal and other aspects of CSR. So the implementation of CSR in developing states are dire specifically in Pakistan's various sectors. At one side developing states are facing tough challenges for CSR implementation, and on the other front they can't meet the global criteria specially in developed states. Following research will aspire to enable the reader to aware oneself about the CSR, its regulatory mechanism and its impacts regarding corporations reputations and market practices.

The Corporate Social Responsibility is most significant principle in corporate sector which is not properly implemented in Pakistan nor interpreted in any environmental litigation. The basic theme of this thesis to review Pakistan's corporate legal regime, and whether there is any clause which directly or indirectly interpret corporate philanthropy or any glimpse for CSR. The ultimate result of such exploration are the economic development, education, public health, compensation to the needy and well being of the community of state or it just makes the corporations responsible for their contribution and the state treasury more packed.

The first chapter presents an introduction and historical perspective of CSR in perspective of international legal regime. In the first part, it highlights international legal development regarding CSR, which provides basic concept in economic and legal perspective, its nature and corporate responsibility. Second Chapter deals with various corporate laws and its history in Pakistan. In this chapter we discuss various statutes concerning corporate legal practices and forums available to the complainant if there is any grave impacts on corporate responsibility that whether it exist or not.

Third Chapter based on detailed discussion about the status of non-implementation of CSR and its consequences for Pakistan's corporate sector. It also provides conceptual framework, corporate responsibility at Pakistani level, and certain other developments related to CSR in Pakistan. Chapter four deals with the comparative study of this principle under the different laws with special focus on developed and developing states regarding CSR. This chapter also give a broad range of practical aspects of CSR and comparative analysis in courts by various case law. Lastly there is conclusion of the whole thesis and some recommendations for implementation of CSR in corporate legal regime in Pakistan.

CHAPTER 01

INTRODUCTION

1.1 CORPORATE SOCIAL RESPONSIBILITY; AN OVERVIEW

Corporate Social Responsibility (CSR), while yet to be defined thoroughly, refers to responsibility of corporate bodies toward its employees, consumers, environment and general members of society beside shareholders and others stake holders. The "ISO (International Standards Organization) Strategic Advisory Group on Social Responsibility (SAG)" identified that there is no appropriate definition of CSR, and does not seek to provide one. However, there are various CRS definitions. "World Business Council for Sustainable Development" defines CSR as:

"The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."¹

As per the European Commission, CSR is defined as,

"Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders."²

On the other hand, Business for Social Responsibility (BSR) defines CSR as operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.

Noteworthy here is ISO's inference that on close inspection of the majority of CSR definitions, interplay of the social, environmental and economic effects which a corporate entity has, is involved. Thus it endeavors to define CSR as "is taken to mean a balanced approach for organizations to address economic, social and environmental issues in a way that aim is to benefit people, communities and society."³

¹ See WBCSD (2001), *Corporate Social Responsibility: Making Good Business Sense*. WBCSD. Washington,

² EU Green Paper (2001), *Promoting a European Framework for Corporate Social Responsibility*. Brussels, Commission of the European Communities.

³ The ISO and Corporate Social Responsibility, Issue Briefing Note: Perceptions and Definitions of Social Responsibility, IISD et al. May 2004.

John Zinkin of Nottingham University explains,

“Defining responsible behavior and getting CSR right is difficult because it is a journey, not a destination. As countries evolve, getting richer and better educated, so society’s expectations of company behavior become more demanding. So what was good enough yesterday may no longer be good enough today, and certainly will not be good enough tomorrow.”⁴

CSR in this regard is the actualization of a number of distinct ecological, social and economic issues. As is the purpose of any expression within a language, the phrase ‘corporate social responsibility’ also means to voice an intention. A breakdown of the phrase shows that adding ‘social’ and ‘corporate’ to the word ‘responsibility’ serves to fence its horizon. Upon amalgamation of these words, their connotation blends, leaving us with a notion which may be simple or complex depending on its perception. A definition must be simple, to remain true to its purpose, rather than voluntarily create confusion. To this end, thus, it must be determined that how responsibility is understood – it is the quality or state of being responsible, understood as moral or mental accountability. Responsibility is self reflection of moral and legal basis. Given that morality is the doctrine, which distinguishes the principles of right and wrong in behavior, it is necessary for a moral obligation to exist that the responsible subject has judgment, free will and knowledge of its actions. Animals and kids are not held responsible for their acts, because they are incapable of understanding the perspective of morals. It is therefore implied, that responsibility only comes with a sound, mature mind, which has received systematic moral education.⁵

Once responsibility is understood, it will be easier to analyze the complimenting adjectives. “Social” is understood as originating from society, be that in the form of a community or nation, which is basically formed when a number of people come together on the basis of some common attributes like traditions, interests and the like. While “corporate” denotes a company. Now applying these adjectives to “responsibility” we can easily comprehend the context under which it is to be applied, that is an ethical or moral responsibility by which a partnership is mindful in connection to society. Moral standards

⁴ John Zinkin, Associate Professor, Nottingham University quoted by Ambreen Waheed, *Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation*, Islamabad, SECP&UNDP, 10.

⁵ Ibid

lead the endeavor to judge the lapses of its conduct and to expect their results and in the event that it is law that makes commitments and standards to control the social conduct of the organization, intimates that, at last, the administration creates through its regulations that what corporate social obligation is in reasonable terms.

CSR is, consequently, about business morals, corporate citizenship, and corporate responsibility and maintainability. Business for Social Responsibility alludes to "achieving commercial success in ways that honors ethical values and respect people, communities, and the natural environment." CSR idea mainly obliges organizations to expect more noteworthy obligation as for moral, social, work and natural conditions with the basic goal to guarantee "health of nations".⁶

Here, it must be understood that the soul behind CSR stays willful. CSR principally needs organizations to go past their legitimate necessities and afterward help towards the wellbeing of countries. It is in this manner critical to recognize CSR exercises and consistence with non-intentional global natural, social and different principles. Thus, it is additionally vital to recognize CSR and corporate altruism. Some contend that corporate charity is an ethically questionable exchange since corporate chiefs enjoy their magnanimous impulses not at their own particular cost however at the cost of association's manager. In 1953, The Supreme Court of New Jersey, battling with a corporate blessing to Princeton University in *A.p. Smith Mfg. Co. v. Barlow* held:

"That just as the conditions prevailing when corporations were originally created required that they serve public as well as private interests, modern conditions require that corporations acknowledge and discharge social as well as private responsibilities as members of the communities within which they operate."⁷

The term corporate social execution was authored by Sethi in 1975, stretched via Carroll in 1979, and afterward refined by Wartick and Cochran in 1985. In Sethi's three-level model, the idea of corporate social execution was talked about, and refinements made between different corporate practices. Sethi's three levels were 'social commitment (a response to legal and

⁶ Ibid.

⁷ *A.p. Smith Mfg. Co. v. Barlow*, 98 A.2d 581, 586 (N.J. 1953).

market constraints); social obligation (consistent with societal standards); and social responsiveness (adaptive, anticipatory and preventive).⁸

The most recent decade of the twentieth century saw a swing far from philanthropy and conventional magnanimity towards more straightforward engagement of business in standard improvement and sympathy toward hindered gatherings in the general public. This has been determined both inside by corporate will and remotely by expanded legislative and open desires. This was clear from a specimen study directed in 1984 reporting that of the sum organizations used on social improvement, the biggest aggregate 47 percent was used through organization programs, 39 percent was given to outside associations as support and 14 percent was used through organization trusts.⁹

Misconception of CSR and its degree is one of the greatest issues. CSR is frequently misjudged as Charity. 'CSR goes past philanthropy. It is not pretty much making commitment to towards great reasons or altruistic associations however it is likewise a lasting through the year obligation that organizations ought to acknowledge to serve the group. It must coordinate with corporate qualities, societies, business method and add to future practicality... Even today, CSR is built as to be a piece of philanthropy. Anyway it is actually the opposite. Philanthropy can be a piece of CSR, which connotes an organization commitment to the group where it works together. CSR makes a greater picture when go hand in hand with willfully coordinates a complete scope of financial, social, and ecological concern in business and corresponds with its stakeholders'.¹⁰

'Responsible Business Initiative' Executive Director Ambreen Waheed has said that Pakistanis are as of now attempting to see how Corporate Social Responsibility (CSR) can prompt intensity. They misconstrue it to be the same as philanthropy and consistence.¹¹

She clarified that as indicated by an exploration that her association had directed, it was demonstrated that they consider (fiscal) philanthropy to be CSR and hence there are numerous associations that are 'rehearsing CSR', are either not paying their expenses or bringing about wellbeing perils to through ecological carelessness.' for instance Andrew Carnegie, the steel head honcho who constructed libraries, colleges and galleries as an issue

⁸ Ibid.

⁹ Working Document of EU India CSR, 2001.

¹⁰ Mamun Rashid, *Corporate social Responsibility*, The World Trade Review, Islamabad, Issue no 14 & 15, Volume no. 8, 16 July - 15 August 2008.

¹¹ *Companies yet to understand CSR*, THE NEWS INTERNATIONAL, Karachi, Wednesday, 13 August 2008.

contaminated towns with smoke and trash and managed cruelly with laborers as an industrialist actually utilizing equipped watchmen to shoot at strikers.¹²

In today's surroundings libraries or colleges may not acknowledge subsidizing from a business known to dirty or be socially reckless. As, Imran Khan, being captain of Pakistani cricket group in 1992, refused to play in the sponsorship of Wills King size Filter and contended that cigarette maker are nothing to do with games.

In Pakistan, representatives are yet to understand that a solid society offers climb to a sound business. As per Ambreen Waheed, 'You need to listen to your stakeholders' necessities and after that illuminate them about your item, and so on. Since for each activity of the venture, the general public would likewise offer again to the organization.'¹³

In Europe, then again, to some degree, business elements have somehow understood that being dependable towards society expands their business outcome. 'Industry Canada' advances CSR standards and practices to Canadian organizations in light of the fact that it makes organizations more imaginative, profitable, and focused. CSR helps make Canadian business more aggressive by supporting operational proficiency additions; enhanced danger administration; positive relations with the speculation group and enhanced access to capital; improved worker relations; stronger associations with groups and an upgraded permit to work; and enhanced notoriety and marking.¹⁴

The business case for CSR is clear. Stakeholders and clients are progressively worried about the natural and social effects of the items they purchase. It takes after that organizations can augment their long haul returns by minimizing their negative effects. Through dependable activity business can get to be more focused, not less. It is the part of government to show initiative, through both our conduct and by giving the systems which empower capable business action.¹⁵

Corporate administration additionally goes close by CSR. It influences how organizations act within a set of regulations and how organizations oversee business courses of action to deliver a general positive effect on society. CSR and social reporting is same as corporate administration in real life, taking a gander at whether organizations work together in dependable ways, how they are seen by their customers, controllers and significant

¹² Ambreen Wabeed, *Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation*, Islamabad, SECP&UNDP, 11

¹³ Ambreen Waheed quoted by, *Companies yet to understand CSR*, THE NEWS INTERNATIONAL, Karachi, Wednesday, 13 August 2008.

¹⁴ [Http://www.ic.gc.ca/epic/site/csr.nst/en/Home](http://www.ic.gc.ca/epic/site/csr.nst/en/Home) visited on 11 August 2009.

¹⁵ Elliott Morley, Minister for the Environment, UK quoted by <http://www.dti.gov.uk/DTI/Pub7201/1k/05/04/NP.URN04/1112>

stakeholders, whether organization backings nation's vision for overall financial and social improvement and whether they are assaulting the right causes for the sake of philanthropy.¹⁶

The reception of Corporate Social Responsibility (CSR) arrangements is no more a matter of intentional practice from business. In one sense it was never truly willful, being much of the time a reaction to market weights and reputational danger. Anyway progressively CSR is likewise subject to legitimate weight and lawful authorization, not so much as ordinary state regulation but instead through backhanded state weight and through the utilization of private law by private on-screen characters, now and again through very imaginative employments of law.¹⁷

Corporate Social Responsibility (CSR) has now turned into a routine component in business and administrative civil argument. Basically CSR includes a shift in the center of corporate obligation to a more extensive scope of stakeholders, including shared concerns, for example, security of the nature, and responsibility on moral and lawful commitments.¹⁸ "It is a movement from 'bottom line' to 'triple bottom line', as it is at times put, from 'profits' to 'people, planet and profits', or indeed to 'profits and principles', to refer to Shell International's social reports. These more extensive concerns are not so much seen as in clash with shareholder engages yet as ensuring them long haul. CSR is not generosity, helping endowments from benefits, yet includes the activity of social obligation in how benefits are made.¹⁹

Ordinarily, CSR approaches include a pledge by partnerships, normally communicated in their announcements of business standards or corporate-particular sets of principles, to upgraded sympathy toward the nature, human rights, decency to suppliers and clients, and restriction to gift and defilement. The scope of issues included is continually stretching, with matters, for example, the advancement of "differing qualities" in the workforce, moral strategies on the inventory network, dependable advertising, particularly as to showcasing to youngsters, and even interest for a capable approach in the sustenance business in connection to heftiness, as of late added to the plan.²⁰

¹⁶ Mamun Rashid, *Corporate social Responsibility*, The World Trade Review, Islamabad, Issue no 14 & 15, Volume no. 8, 16 July - 15 August 2008.

¹⁷ Ibid.

¹⁸ M. Friedman, 'The Social Responsibility of Business is to Increase its Profits', *New York Times Magazine*, 13 September 1970.

¹⁹ J. Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Capstone, 1997).

²⁰ Ibid.

1.2 HISTORICAL BACKGROUND

The concept of Juristic personalities evolved as an out growth of Industrialization. Legal Systems, with the passage of time and through the process of legal evolution, went on giving more rights and assigning more liabilities to such persons. Among such liabilities, is liability of a corporate body towards the general welfare of society.²¹

Enterprises use common and human assets from their surroundings to run their business and produce benefits, and they are in charge of the consumption of these assets and the negative effect brought about by running of their business to environment and the group around their business. The CSR idea advancement began with the concerns identified with the harm made by business on environment and society everywhere by method for exercises connected to their business operation. The idea of CSR, initially created in the United States back in the 1920s, got to be progressively prevalent inside European scholarly rings amid the 1960s-70s. In any case, the scholastic verbal confrontation was quieted by the wave of liberalization and de-regulation in the 1980s, and the expanded impact of shareholders on corporate administration. Interestingly, globalization has started another and stronger enthusiasm toward CSR and the level headed discussion about the social expenses and profits of corporate action has been rekindled.²²

Organizations were required to clean up the wreckage they have produced to the earth, until 1980's CSR was viewed as same as corporate generosity. The current CSR ideas began planning in right on time 80's. In 1980's and 1990's samples like Shell ruining the nature's domain and damaging the human rights in Nigeria, began another wave of feedback which set off a complete distinctive thinking on CSR and henceforth numerous CSR definitions rose amid this period.

Then again, organizations like Nike and GAP Inc were hit by the terrible notoriety of their suppliers disregarding work laws and misusing destitution and advancing separation. Nike, in the same way as other multinational organizations, has its shoes and garments created in shoddy work nations by free suppliers. Some of its Vietnamese, Indonesian and Chinese suppliers were uncovered as utilizing youngster work, obliging representatives to work extended periods, past even the high lawful least of the nations being referred to, at short of what even the low statutory the lowest pay permitted by law, and in a few places in conditions where cancer-causing agents circulating everywhere were over the allowed level.

²¹ The Davos Manifesto of 1973, where the top European managers defined the social responsibility of employers, stems from this debate.

²² Ibid.

In short, both Nike's own particular set of principles and, at times, neighborhood law, were consistently broken, yet not by Nike. Under customary criteria Nike was not responsible or capable, as Nike's CEO was snappy to call attention to.²³

Anyhow Nike was considered mindful and held answerable by common society campaigners. Once more, the Nike experience has turned into a symbol of what can happen if organizations stick to a limited idea of corporate responsibility. Demonstrations, dissents, 'shoe-ins' the place Nike coaches were openly discarded, exceptionally open dismissal of sponsorship, weeks of against Nike cartoons in the press, and a fall in benefits, which Nike itself ascribed to its relationship with youngster work. The Nike case is a reasonable exhibit of common society in real life through social challenge, and a fantastic naming and disgracing battle.²⁴

The Nike case exhibits an alternate relevant variable, that is, patterns in business practice, for example, outsourcing and marking. Nike was especially helpless against such antagonistic exposure as a result of the essentialness to its business of the Nike brand. Without a doubt, Nike is it might be said just a brand, generation is all subcontracted. In its accentuation on marking, nonetheless, it can be seen to have made its own particular foe. The mechanism of subcontracting and outsourcing indicate the minimum control over the manufacturing of product and their condition. Although it seen to be scornfully as a benefit that there is no possible legal accountability and responsibility in social scenes. So the "ethical trading" and the policy of supply chain have been practiced.²⁵

The increase of vulnerability of brand is on rised but the issue of intangibles and tangibles assets in the corporate value proportion is on the stream. There is difference of value in the tangible and intangible because the later have market payment surety, worth, knowledge and intellectual property bases which let down such factors.²⁶ FTSE100 companies, a study survey of 2005 found 60% to be intangibles while a study of 2006 to the US Fortune 2005 of a dissimilar figure of 53%.²⁷

The significance of brand make the companies most reputable while companies could not afford the risk of their repute under any scenario. A research conducted by an Insurance company Aon, which is top in the public and private sectors considered the reputation

²³ In November 1997, an employee leaked a report by the company's auditors exposing conditions in Vietnamese factories supplying it (*The Guardian*, 13 June 1998), and the story then featured repeatedly in all forms of media.

²⁴ N. Klein, *No Logo* (London: Flamingo, 2000), p. 345.

²⁵ *Ibid.*

²⁶ Vivien Beattie and Sarah Jane Thompson, 'Intangibles and the OFR', *Financial Management* June (2005), 29.

²⁷ Corporatewatch.com; *The Guardian*, 6 November 2006.

damage to major peril. Furthermore, ethical, social and environmental concerns are major dangers to companies' reputation. There are certain other factors like risk management, identification of risk are attached elements to CSR reports while reputation is the key element in the relevant regime of CSR. This further lead to corporate agenda.²⁸

UN took the certain steps by providing code of conduct for international/intercontinental companies regarding weak laws mechanism related to health, environment, consumer protection and safety. The mechanism led by UN failed due non availability of support from governments and hindrances created by different organizations. Resultantly, a board was formed in 1991, with name of "World Business Council for Sustainable Development (WBCSD)". This plan was criticized because the observer said that CSR must be implemented at mandatory rather than voluntary. Further critiques forwarded their view that voluntary CSR cannot grip the corporation and would not be able to make them accountable.²⁹

When India was under British rule, TATA the India's major business company was practicing such CSR like activities. the recent Code of Corporate Governance indicates the deep glimpse of CSR.

"*A Tata company shall be committed to be a good corporate citizen, not only in compliance with all relevant laws and regulations, but also by actively assisting in improvement the quality of life of the people in the communities in which it operates, with the objective of making them self-reliant.

* Such social responsibility would comprise: initiating and supporting initiatives in the field of community health and family welfare, water management, vocational training, education and literacy, and encouraging the application of modern scientific and managerial techniques and expertise."³⁰

²⁸ Aon insurance group, 2000, reported in Sustainability, *The Changing Landscape of Liability* (London, 2004), p.17

²⁹ Ambreen Waheed, *Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation*, Islamabad,SECP&UNDP,10

³⁰ TATA: *Code of Conduct*.

1.3 NECESSITY OF CSR

Milton Friedman a notable Nobel Laureate expressed that the best CSR is to increase the businesses profit of firms. He further denied the idea that corporations should visualize environmental as well as social bottom line for their best financial bottom. He suggested that social concerns should be considered by states while companies should develop the compatibility with implementation of relevant laws. In addition to, the executive has lack of expertise in such area and have no consent to public policy making. He mentioned that market must point out that corporation should take environmental and social considerations for the enhancement of profits. The insincerity of his suggestion is that most of world companies are following open-ended and ambitious plan to sustain their social license for more profit in the future time. The Economist of 2005, January mentioned that CSR "Won the battle of ideas" and highly appreciated in the corporate world.³¹

The stakeholders, customers and investors required CSR activities whiles It is hard for the corporations to sustain such performance for their financial interests. Corporations must given incentives and must not to wait for obligations on such cost to them. The president and CEO of GE were summoned for governmental as well as corporate to mitigate climate change and upon US the Kyoto Protocol ratification. This will secure the investment of US defenseless corporations for the foreign companies' adaptations for better environmental practices.³²

The corporations own the CSR for the better survival, prosperity and to save the earth. Many huge businesses are lack understanding regarding practices and value of complete socially responsible attitude with stakeholders. Numerous corporations have changed their plans to avoid the alarming situations while conducting their businesses. Corporations' status and popularity are mostly reliant on its relationship with their stakeholders. Businesses become popular due to their relationship building while probable when norms of business are acceptable to anyone. Numerous scandals of corporations have been noticed by internet, NGO's and media etc.³³

Shell was disapproved for carrying out their trade for violating the norms of anti-apartheid in South Africa. It was closely involved in Ogoni land Environmental damage and assassination of Nigerian opposition leader put the company under huge criticism. Shell was

³¹ The New York Times Magazine September 13, 1970.

³² Ambreen Waheed, *Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation*, Islamabad, SECP&UNDP, 10

³³ Fernando, A.C, *Corporate Governance: Principles, Policies, and Practices* (Chennai: Loyola Institute of Business Administration, 2000), 321,.

boycotted by consumers and it faces might of public opinion and mass market in era of media war.

In Asia, the sports major company Nike was involved in some labour practice. Certain issues like negative publicity, pressure group and stakeholder criticism and boycotts against management which compel them to revise their business policies and strategies related CSR. Furthermore, the supplier complaint was also tackle by modern practices. This was one of the major issues and brings certain innovations in the management level policies which have no restriction of geography due to consumer expectations.³⁴

The scandal of Enron Company was of highly significant in the evolution of CSR's implementation. It became US most popular company in short span of time and recruited 21, 000 employees in 42 states. The enterprise was highlighted due to its false projection, corruption and bribery. The company was involved in major corporate crimes like political lobbying, documents shredding, incapability of auditors and documents shredding. These were the huge charges due to the unconventional business practices of Enron. It faces bad repute, criminal liabilities and other litigations related to social and environmental situations etc.

Companies required opting common standards which work across nationalities and cultures which is receptive norms, work practices, local communities and cultures. The practices of CSR related to the issue of survival. In the modern era of e-information bad news should be disastrous for established corporations while on the other part good news have short life than the former and put worse impact on the stakeholders. Such activities destroy confidence of market; enrage the general public and consumer loyalty impacts. Most of times, media spotlighted corporations' failure and avoid their success news. Such rude behaviour of media damage the companies reputation though the later are conscious about proper remedial steps.³⁵

In contemporary era customers are reluctant concerning unethical profits on various products etc, while shareholders are cautious about such sensitivities. Legal concerns are growing rapidly regarding business disreputable practices while it become tougher for companies to tackle such challenge. Worldwide stakeholder approach indicates that only possible regulations are not much enough for CSR. The 100% compatible company may have trouble next day's standard after investigation their previous record related CSR. Companies

³⁴ Ibid.

³⁵ John H. Dunning and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy* (Cheltenham, UK: Edward Elger Publishing Limited, 2008), 17.

should be more practical and “futuristic” in their approach related to predicting law making processes. Such approach is probable for corporations to make distinction in their values and not only in products.³⁶

The customer survey verifies which investors make up among the drivers at the rear of this growing focus on CR. Management worldwide chose 3 key factors which might be producing corporations to cover much more attention to CR: greater target CR by simply investors, latest management and business scandals as well as greater demand via health systems as well as regulators. According to the customer survey, business owners said the most robust drivers with the boost with significance about CR have been investors, latest management and business scandals as well as greater demand via regulators (all 29%).³⁷

There are many various other reasons with regard to companies to adopt CR measures, as well as: Erosion of have confidence in: Public trust in management and business operations offers decreased, following a spate of financial scandals, for instance people who surrounded Enron in the USA as well as Parmalat situated in Italy.³⁸

Globalisation: Anti-globalisation organizations, for instance Earth First, possess required greater obligation via health systems as well as companies as well. Companies tend to be progressively taking on CR since a variety of insurance policies to circumvent or perhaps mollify outdoors demand organizations.

Reasonably competitive demand: Since much more companies in the marketplace follow CR procedures, this laggards appear within increasing demand to follow along with match. A typical case in point could be the acrylic marketplace, where by nearly all companies today engage in some form of CR programme. Reasonably competitive edge: Numerous companies respect these intangible benefits of the CR programme, such as a far better model picture, as a way of getting top of the hand over the competitors.³⁹

A final two decades have noticed the revolutionary adjust inside non-public sector's marriage the two while using the condition as well as civil modern society. Globalization, deregulation, privatization plus a redrawing with the wrinkles concerning condition as well as industry possess transformed the foundation on what non-public enterprise is usually supposed to give rise to people good. At the same time, the relationship concerning companies as well as civil modern society offers moved via paternalistic philanthropy to your

³⁶ Ibid.

³⁷ Ratte, Stephaine, “Enforcing Corporate Environmental Responsibility: Seeking Relief for Environmental Damage under the alien tort statute,” *Brown University, Center of Environmental Studies* (2010): www.bsr.org/CSRResources/LeadingPerspectives/2006.

³⁸ “Nolan 2009, 434,” <http://ec.europa.eu/environment/waste/index.htm>, accessed June 5, 2012.

³⁹ Ibid.

re-examination with the roles, rights as well as accountabilities of company with modern society.

These kinds of dynamics possess resulted in this emergence of a fresh procedure for Corporate and business Corporate Social Responsibility (CSR), having companies recognizing which reducing the impacts as well as responding to bigger cultural as well as the environmental troubles are going to be crucial with obtaining the long-term good results. More and more, visible companies tend to be utilizing CSR processes.⁴⁰

CSR is now furthermore staying mentioned as well as disputed inside general public policy field – the UK has a Minister with regard to Corporate and business Cultural Responsibility, this WESTERN EUROPEAN printed the Environment friendly Cardstock about them, 2005 had been specified this European 12 months of CSR, as well as Indonesia printed the initial law upon Corporate and business Cultural Responsibility. These kinds of tendencies on the general public policy amount tend to be reinforcing this tendencies staying collection by simply corporation management.⁴¹

⁴⁰ OECD, 2000, Commentary para. 31, , <http://www.oecd.org/ccnm/sustdev>. accessed March 13, 2012.

⁴¹ Ibid.

CHAPTER 02

SCOPE OF CORPORATE RESPONSIBILITY

2.1 COMPASS OF CORPORATE RESPONSIBILITY

Originally, CSR had been considered as the moral obligation; nonetheless, today man brain offers commenced pondering to make it mandatory by law in order to halt companies via messing up man's habitation with regards to company purposes. For example, in 1999 students from the universities across the United States made what they called Workers Rights Consortium (WRC) to protest against Nike as well as sponsorship shows due to human rights accusations.⁴²

Today, management and business cultural responsibility goes much beyond the old philanthropy i.e. giving dollars to good will cause towards the end with the financial year, and is particularly concerned about a great all year round responsibility which companies take for the atmosphere all around all of them, for the best SOPs, with regards to involvement in their local communities as well as with regards to reputation which brand names be dependent not merely upon quality, cost as well as uniqueness however about how, cumulatively, they interact with companies' workforce, neighbourhood as well as atmosphere.

Today opportunity of CSR is growing incredibly enlarged. It provides their operational, cultural, the environmental, as well as economical elements. Detailed aspect includes improvement of CSR policy, present string responsibility, pole holders' participation, openness, as well as confirming as well as unbiased confirmation. Cultural aspect includes man rights, manual work rights protection, as well as buyer rights protection. Environmentally friendly aspect includes protection of atmosphere whilst economical aspect includes info with socio-economic improvement, prevention of competitors as well as taxation. The globe should move to the complicated measure of management and business responsibility, where by the desired info is evaluated besides from the enter however by

⁴² Ambreen Waheed , *Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation*, Islamabad,SECP&UNDP,11

simply their outcomes: this variation designed to the entire world by which most of us live, as well as the info designed to help low income people.⁴³

Generally, CSR plans contain a commitment by simply firms, typically portrayed in their assertions of company rules or perhaps corporate-specific requirements of conduct, to increased matter for the atmosphere, man rights, justness to companies as well as clients, as well as level of resistance to bribery as well as data corruption. The range of concerns required is increasing, having issues such as advertising of 'diversity' inside workforce, ethical plans around the present string, responsible marketing and advertising, especially with regards to marketing and advertising to little ones, as well as .desire to get a responsible technique inside food company regarding unhealthy weight, lately put into this goal.⁴⁴

The voluntary usage of CSR by simply international firms might appear quite paradoxical in the situation where by multinationals have been viewed for quite a while since often tougher compared to country expresses, having major implications for the feasibility of useful governmental command above the procedures. Precisely why would company voluntarily dedicate alone to standards outside of the prerequisites of law. The truth is which talking about CSR since voluntary can be a minor misleading. The usage of CSR plans by simply company has had location in an exceedingly specific situation. In the event CSR is usually self-governance by simply company, it really is even so self-governance which has acquired an extremely firm force via external cultural as well as industry makes. From the beginning, 'voluntary' CSR may be socially as well as monetarily driven.⁴⁵

After Enron, CSR can also be considered to be not merely regarding cultural as well as the environmental concerns however since likely to the heart of core company surgical procedures for instance data processing as well as levy plans, and has grown to be a problem with regard to management and business governance inside narrower sense with the expression. The words of company integrity can also be frequently added in play, having the environmental as well as cultural impact viewed included in a fresh company integrity. The development to your move of words running a business via CSR to just CR, management and business responsibility, demonstrates this particular. CSR offers really grow to be anything of

⁴³ Gordon Brown, Chancellor of the Exchequer quoted by [http://www.dti.gov.uk/DTI/Pub/7201/1k/05/04/NP.URN 04/1112](http://www.dti.gov.uk/DTI/Pub/7201/1k/05/04/NP.URN%2004/1112)

⁴⁴ *Corporate Social Responsibility in India, Policy and practices of Dutch companies*, CREM-report nr. 03.650 .

⁴⁵ Ibid

a portmanteau principle which often features a diverse pass of ethical issues via conserving our planet to requiring honesty as well as justness running business negotiations.⁴⁶

CSR can be a package principle which often features a number of environmentally friendly, cultural as well as economic concerns. Even more, So that you can supply a much more specific design to the concept of CSR it will be based upon intercontinental treaties, suggestions as well as instruments enjoying wide intercontinental assistance which might be related with regard to company, for instance man rights, manual work rights, the environmental protection, buyer protection, socio-economic improvement, data corruption and other aspects of CSR. What's more, it includes a number of standard operational aspects of CSR similar to present string responsibility, stakeholder participation, openness as well as confirming as well as unbiased confirmation.⁴⁷

The necessity to offer environmentally friendly as well as equitable improvement underscores the value of getting a greater perception of this purpose of general public policy with regards to Corporate and business Corporate Social Responsibility (CSR) as well as potential to give rise to this improvement goal.⁴⁸

The fashionable CSR goal is usually relatively childlike, as well as the expression "CSR" has not but used maintain within just quite a few general public segment companies, with the two manufacturing as well as building international locations. The challenge is made for specialists to recognize things as well as offers which might be important inside local as well as nationwide contexts in order to develop upon current initiatives as well as drives. There exists today a very good chance of health systems to harness recent commitment with regard to CSR with critical general public policy objectives as well as things to promote shipping and delivery of ensuring outcomes.⁴⁹

⁴⁶ Ambreen Waheed , *Evaluation of the state of corporate social responsibility in Pakistan and a strategy for implementation*, Islamabad,SECP&UNDP,11.

⁴⁷ Mamun Rashid, *Corporate social Responsibility*, The World Trade Review, Islamabad, Issue no 14 & 15, Volume no. 8, 16 July - 15 August 2008.

⁴⁸ Perry-Kessaris, A, "Corporate liability for environmental harm," *Research Handbook on International Environmental Law*, Cheltenham: Edward Elgar, (2004), <http://ssrn.com/abstract=1679245>.

⁴⁹ Ibid.

2.2 SITUATION OF CORPORATE SOCIAL RESPONSIBILITY IN PAKISTAN

Companies, usually, all over the world as well as especially with Pakistan, tend to be but to comprehend true explanations of CSR. As outlined by a work executed by simply 'THE NEWS INTERNATIONAL' as well as printed upon 13th August, 2008, Pakistani companies but do not understand CSR.⁵⁰

Numerous organizations with Pakistan even now check out CSR since simply philanthropy, charitable trust, cultural or perhaps neighbourhood improvement function. Merely several companies tend to be signatory towards UNITED NATIONS Worldwide Sleek and stylish or perhaps conform to this 10 guiding rules with regard to executing company in the responsible fashion as well as being a socially responsible management and business person. Many people shortage the data as well as expertise to put into action CSR shows as well as contemplate this being an additional responsibility they think they might do or perhaps live without having or perhaps at the least postpone until eventually they are ready to match it. Almost all organizations with Pakistan provide charitable trust as well as help to make contributions with regard to noble will cause. These are up against quite a few troubles, specially data corruption, as well as cannot conduct the company without having paying out bribes or perhaps cost reduction programmes to unethical federal officials as well as business units.⁵¹

In relation to 40 per cent with the management and business companies with Pakistan feel CSR signifies purely paying out taxes. Yet another thirty per cent think CSR is usually triggering neighbourhood contentment or perhaps giving to organisations with regard to cultural improvement purposes as well as neighbourhood improvement, though 15 per cent feel this CSR leads employee contentment, as well as 10 per cent feel this CSR signifies doing work in areas the spot that the companies pursuits rest. Merely five per cent definitely realize this CSR signifies straight utilizing cultural improvement things to do as well as assignments.⁵²

About 40 per cent of the corporate companies in Pakistan think CSR means merely paying taxes. Another 30 per cent believe CSR is contributing to community welfare or donating to organizations for social development purposes and community development, while 15 per cent think the CSR equates employee welfare, and 10 per cent think the CSR

⁵⁰ "The News International", 13th, August 2008.

⁵¹ <http://www.csrpk.com/?q=csrinpakistan> visited on 16.11.2011.

⁵² Published in Daily Dawn on August 8,2009

means working in areas where the company's interests lie. Only five per cent clearly understand the CSR means directly implementing social development activities and projects.⁵³

On the other hand, Pakistan delivers a variety of tangible opportunities intended for responsible organizations searching for to produce a distinction within the lifestyles of regular folks via CSR projects and workshops. The sloping submission of riches and lack of employment opportunities in and exterior significant downtown centers are generally acquiring their own cost and choking Pakistani urban centers. This really is raising pressure within the health, training and sanitation establishments in massive urban centers, creating pollution and severely demanding the sustainability of means. Pakistan could be the world's sixth many population country and much more than 60 to 70 % of it's one hundred and eighty million folks live in the countryside areas. Development of structure and community improvement workshops in smaller towns and towns could possibly minimize migration to help massive urban centers, as well as fill the extending space involving standards of existing from the downtown along with the countryside inhabitants.⁵⁴

There are several productive types of sustainable downtown growth within the produced planet that may be emulated and tailor-made to suit the growth desires of Pakistan's countryside and remote control areas. The indigents structure and lack of fundamental services in countryside areas is usually a significant obstacle, that has been amplified with the devastating floods of which reach a huge the main country in overdue Come July 1st 2010 and left more than a pair of million folks destitute. Farm areas be the cause of more than 75 % from the signed up voters in Pakistan. They may simply generate much better management to help symbolize all of them at the government stage when folks are able to produce advised decisions. As long as they possess protection and safeguard of law, usage of training, health, h2o and sanitation, highways and telecoms establishments, as well as recognition regarding person and collective individual legal rights and obligations toward community and country.⁵⁵

Corporations taking care of making a long-term existence in a expanding marketplace face numerous difficulties to help preserve their own businesses and meet the growing desire intended for fundamental goods and providers. The development opportunities intended for accomplishing responsible company outnumber the chances in critical industries which

⁵³ Published in Daily Dawn on August 8,2009.

⁵⁴ Perry-Kessaris, A, "Corporate liability for societal harm," *Research Handbook on International Environmental Law*, Cheltenham: Edward Elgar, (2004), <http://ssrn.com/abstract=1679245>.

⁵⁵ Ibid.

include vitality, (FMCG), pharmaceuticals, fabrics, sports activities goods, animals and dairy products growth, foods String Company, financial, telecoms, mining and business producing. Excellent training of CSR in Pakistan could possibly more than twice it's exports to help significant overseas promotes, as well as understand the growth of joint undertakings and ideal partnerships for that transfer of expertise and technological innovation involving overseas and Pakistani corporations and organizations. The opportunities are generally huge, but the velocity in their realization is usually conditional in peacefulness, protection and politics stableness in Pakistan as well as encompassing areas.⁵⁶

2.3 BUSINESS COMMUNITY'S VIEWS

The main criticism on the CSR for years is that the primary and according to some, the main and only concern of a Business entity is its business and its business only. According to them the main pleasure of all stakeholders is increase in profits of business.

The advocacy of CSR, suggests that most of these critics, indicate there exists a thing embarrassing inside corporations making profits by providing goods in addition to providers to help buyers. Thus, CR ensures that payoff can certainly simply be discovered by way of getting "responsible" like a great "corporate citizen".⁵⁷

But critics say that CSR distracts corporations from becoming successful, throwing mud to the armor and weapon upgrades involving world-wide capitalism by simply raising the burden involving polices as well as other fees, and thus ultimately eroding the rewards in which make to help world-wide stakeholders. One of the best opinions provides come from a great economist, Brian Henderson, your ex - official of the economics team of the OECD, in addition to at this time any visiting mentor in the Westminster College involving Small business.³⁷ In a 2001 document entitled, "Misguided Virtue: False Notions of Corporate Social Responsibility" (published by the New Zealand Business Roundtable), Mr. Henderson wrote: "CSR is flawed in its prescription, as well as its diagnosis. What it proposes for individual businesses, through 'stakeholder engagement' and giving effect to the 'triple bottom line,' would bring far-reaching changes in corporate philosophy and practice, for purposes that are open to question and with worrying implications for the efficient conduct of enterprises."⁵⁸

⁵⁶ Greenpeace international, "Corporate crimes: the need for an international instrument on corporate accountability and liability," last modified, June 2002, accessed March 13, 2012, <http://www.greenpeaceweb.org/shipbreak/>.

⁵⁷ Ibid.

⁵⁸ Ibid.

Across economic systems and political boundaries, it would strengthen existing tendencies to regulate transactions, and to limit competition, in ways that would further restrict the opportunities and freedom of choice of people and enterprises.”⁵⁹

The similar sentimentality was summed winning through a administration intellectual, Peter Drucker, who speaks in the Canadian film textual “The Corporation” unconstrained in 2004: “If you find an executive who wants to take on social responsibilities, fire him fast.”

This school of thought is of the view that Organizations really exist to deliver items and/or products and services which create earnings for their investors. Milton Friedman and the like take this kind of an action additional, quarrelling that the businesses function is to maximize results in order to the investors, which because (in their particular view), simply individuals might have sociable accountabilities, firms are just accountable on their investors and never in order to community in general. Despite the fact that that they acknowledge which firms really should pay attention to your legislation in the places inside which they do the job, that they claim which firms haven't any various other requirement in order to community. A number of people comprehend CSR because incongruent with all the very character and reason for organization, as will as a burden in order to no cost trade. Those that claim which CSR will be incongruent with capitalism and they are towards neo-liberals fight which changes with wellbeing, long life and/or child fatality are produced by economic development attributed to no cost venture.⁶⁰

Yet most respondents to the survey conducted in this regard from business executives, appear to disagree. Eighty-eight % connected with VIP's believe it's today a significant thought practically in most corporate and business decisions. There appears not any touch connected with bad feelings due to this, simply because 87% believe great CR aids the lower collection. The particular institutionalization connected with CSR as a small business issue may be demonstrated from the increasingly regime usage connected with CSR procedures with key businesses. 39 Throughout 2001, 73% in the UK's FTSE100 businesses received unique codes connected with carryout or even assertions connected with small business guidelines. By means of 2004, this was as much as 91%. In America, all of the Bundle of money 500 businesses have presented unique codes connected with carryout. The particular publication connected with CSR studies has improved along with 83 in the FTSE100

⁵⁹ Ibid.

⁶⁰ John H. Dunning and Sarianna M. Lundan, *Multinational Enterprises and the Global Economy* (Cheltenham, UK: Edward Elger Publishing Limited, 2008), 17.

businesses canceling with 2005, three months in the leading 100 European businesses in addition to 59 in the people leading 100 generating CSR studies pertaining to 2005-06.⁶¹

The stove connected with groups implementing CSR procedures has widened. The particular economic sector, which ten years ahead of experienced far from this frontline connected with cultural in addition to environmentally friendly problems encountered simply by the kind of essential oil in addition to outfits businesses, has acknowledged that as well will be affected by CSR as often since the buyers, in addition to canceling there bending with 2004-05. By means of 2005, even cigarette businesses in addition to hands producers, groups outside of this pale for many people CSR promoters, have been generating CSR studies. The number of 'ethics officers' with PEOPLE companies may be going up, in addition to corporation buildings have increasingly included dedicated CSR administrators in addition to administrators specifically responsible for CSR. Without a doubt, doing CSR any make any difference pertaining to board-level obligation has grown to be founded practice among leading businesses.⁶²

Businesses are recruiting this companies connected with CSR consultancies to make CSR unique codes, compose or even validate CSR studies, coach employees with CSR in addition to marketplace their CSR experience. There're applying to CSR pursuits in addition to placing by themselves up pertaining to CSR accolades. In a questionnaire with Dec 2005 simply by supervision instructors McKinsey, only 6% in the 4238 VIP's surveyed throughout the world predetermined while using the Milton Friedman collection the single aim of small business ended up being to make higher earnings pertaining to shareholders. 84% thought higher earnings must be well-balanced along with contributions for the much wider open great.⁶³

This particular mix of reactively answering and adjusting cultural in addition to marketplace stresses, protecting this manufacturer via reputational danger, in addition to proactively requisitioning cost-saving tactics in addition to marketplace possibilities is generally packaged since the 'business case' pertaining to CSR. CSR is noted primarily as in equilibrium while using the classic search for profit in lieu of incompatible by it. Industry possibilities in addition to cost benefits make for short-term profit, even though CSR exercise devoid of strong in addition to instant economic pay back can be seen since manufacturer

⁶¹ Ibid.

⁶² Fernando, A.C, *Corporate Governance; Principles, Policies, and Practices* (Chennai: Loyola Institute of Business Administration, 2000), 321.

⁶³ Waheed, Ambreen, "Evaluation of the State of Corporate Social Responsibility in Pakistan and a Strategy for Implementation," For Securities & Exchange Commission of Pakistan and United Nations Development Program. UNDP, 2005.

improvement, best for long-term shareholder value. Presented this way, CSR will be perfectly reasonable pertaining to small business, this significantly mentioned 'win-win' scenario pertaining to small business in addition to all of those other earth. Beneficial (ethical) small business will be great (profitable) small business.⁶⁴

This company case has become a 2010 handy method of packaging, and indeed marketing and advertising, CSR. Especially, that efficiently sidesteps this critique it's not really genuine pertaining to supervision to take CSR procedures, placing this hobbies connected with other stakeholders ahead of individuals connected with sbareholders, along with any kind of cultural benefit originating from purchase in addition to financial growth – this view simply summed up simply by Milton Friedman since '[t]he cultural obligation connected with small business is to make profits'. Administrators are reminded it's this owner's funds they are paying. In particular targeting corporate and business philanthropy, critics have inquired: in whose corporation will it be?⁶⁵

“Corporate philanthropy is charity with other people’s money. When Robin Hood stole from the rich to give to the poor, he was still stealing he was still a bandit – and less of one, arguably, than the vicariously charitable CEO, who is spending money taken from people who have placed him in a position of trust to safeguard their property”.

Fighting CSR simply by attacking corporate philanthropy may be seen as one thing of the mis-hit, both equally as the degree to be able to that philanthropy detracts by income is often do not forget that – corporate philanthropy by the UK’s FTSE100 companies, as well as donations, presents inside type, staff members time in addition to credited administration charges, actually volumes to be able to under 1% each year involving pre-tax income – in addition to since CSR is actually regardless about how companies make income as an alternative to about how they give them away. Although identical arguments are created also with regards to core CSR concerns for example environmentally friendly concerns, source archipelago criteria as well as other ‘selfless giving up with regard to stakeholders’.

⁶⁴ Ibid.

⁶⁵ “Hagler Bailly Report, 2005: A26,” last modified in 2005, accessed in Dec 23, 2011, <http://www.lead-journal.org/content/>.

Administration is viewed because acquiring simply no directly to spend shareholders' profit this hobbies in the bigger societal very good.⁶⁶

This specific location features really already been framed simply by critics involving CSR like a legitimate place, especially in the circumstance involving Anglo-American company rules, having CSR seen as effectively constituting a new breach involving managerial job. Your legitimate position involving administrators is viewed united involving stewardship for your managers in the company. His or her legitimate requirement therefore is actually to pay attention to revenue maximisation with regard to investors, minimal solely simply by the call to abide by some other legitimate polices impacting specific obligations in it. CSR can be seen within this circumstance not really much because administration happily heading further than legitimate requirement, but, essentially, because administration heading further than the legitimate powers (acting 'ultravires') as well as breaching the fiduciary job on the managers. It truly is CSR unlawful.⁶⁷

It is, nevertheless, the oversimplification in the rules, which can be seldom pretty therefore minimize in addition to dried because that suggests. Even though the policies involving statutory company rules, in many jurisdictions, may possibly 'on their face' apparently assist that check out, this efficient this means involving rules depends on precisely how those policies are translated used, in addition to design over time features actually already been more technical in addition to delicate. Because CSR is growing inside relevance in addition to critics possess overtly elevated legally dependent objections for it, therefore possess legitimate champs blossomed to be able to bring care about that and also to overtly fight the situation that company rules, far from protecting against CSR, can be seen because letting, as well as perhaps actually requiring, CSR techniques.⁶⁸

Though CSR features mainly already been this problem involving Transnational Companies (TNCs) in addition to substantial companies generally, it is significantly including small in addition to(SMEs), both equally because suppliers to be able to intercontinental companies in addition to areas so when recipients involving assist by means of donor-led workshops to be able to promote monetary advancement.⁶⁹

⁶⁶ Ibid.

⁶⁷ Mujahida Naureen, "Development of Environmental Institutions and Laws in Pakistan," *Pakistan Journal of History and Culture* XXX, no.1 (2009): 17, accessed March 26, 2012, www.environment.gov.pk/Environment%20Policy%20and%20Legal%20Framework.pdf.

⁶⁸ "Hagler Bailly Report, 2005: A26," last modified in 2005, accessed on Dec 23, 2011, <http://www.lead-journal.org/content/>.

⁶⁹ Greenpeace international, "Corporate crimes: the need for an international instrument on corporate accountability and liability," last modified, June 2002, accessed March 13, 2012, <http://www.greenpeaceweb.org/shipbreak/>.

In the field of CSR in particular, SMEs deal with massive issues. Health systems are yet to still attained consensus on frequent ways of CSR, which includes supposed which the “rules” with regard to CSR will often be staying collection de facto by the companies adopting that, in addition to these are generally mostly TNCs.⁷⁰

Therefore, SMES, in particular those inside creating nations around the world in addition to transition-economies, find themselves confronted by ways of CSR which might be often really incompatible on their monetary in addition to societal circumstance, is actually a plan circumstance that will not aid these individuals build in addition to follow much better suitable CSR solutions. However they can pay for to be able to ignore CSR, due to the fact the very same TNCs which might be pushing this CSR intention trickiest may also be their buyers.⁷¹

2.4 CORPORATE SOCIAL RESPONSIBILITY AND ISLAM

Notions of corporate social responsibility (CSR) have been suggested to be consistent with an Islamic view of society. Indeed, values and principles that have been central to Islam since the time of the holy Prophet Mohammed (Peace and Blessings be upon him) may serve as a foundation for notions of corporate social responsibility (CSR) similar to those in the West.

Much contemporary discussion of CSR, however, has not recognized this. These discussions have largely been based on a Western orientation informed by Western religious values. Moreover, CSR has evolved literally in response to particular issues or problems that are specific to businesses in a Western context. This led to a lack of a comprehensive global context within which a wider perspective of CSR should be positioned. On the other hand, the notion of social responsibility and justice has been an integral part of Islamic society for nearly 14 centuries. However, the Islamic literature remains scattered, fragmented and lacks a coherent framework that would allow such a concept in Islam to be systematized. While Islamic philosophy is rich in precepts pertinent to CSR, these precepts have not yet been formally synthesized to present a systematic model with an explicit notion of CSR in Islam.

Islam recognized that being responsible in business is about much more than what is done with the profits made from business activities – hence the existence of activities that are regarded as *haram*. Given that the Prophet was a successful trader who married a successful

⁷⁰ Ibid.

⁷¹ Ibid.

businesswoman, it is perhaps not surprising that there are so many prescriptions regarding what type of business was acceptable and how to do it. Business is an activity, which is encouraged because it provides sustenance,⁷² but this does not apply to all forms of business.

The prohibitions on certain types of business come from the concern to protect health and life, so that products and services that put these at risk are prohibited (alcohol, tobacco, armaments and gambling). The justification for the prohibition is best explained in the words of the Qur'an: "*They ask thee concerning wine and gambling. Say: In them is great sin, and some profit for men; but the sin is greater than the profit.*" (Qur'an 2:219). Gambling in particular is forbidden because it represents "getting something too easily" and any monetary gain that comes too easily is deemed unlawful and condemned strongly.⁷³

The prohibition of usury and interest is also well-known. Quran says, "But Allah has permitted trade and forbidden usury."⁷⁴ According to tradition of Prophet Muhammad (P.B.U.H.), narrated in *Sahih Muslim, Book 010, The Book of Transactions*, "Allah's Messenger cursed the accepter of interest and its payer, and one who records it, and the two witnesses, and he said: "They are all equal"⁷⁵. According to most scholars interest or usury is prohibited in Islam not because the religion does not see it as a way to turn excess capital into profit but because of a deeper concern for the moral, social, and economic well-being of society, since it creates profit without work and it does not share the risk between the lender and borrower (Al-Qaradawi, 1985, pp.265-270). There is also another perspective, namely that Islam chooses to create a different basis for an economic society, which prefers an "equity-based, risk-sharing, and stake-taking economic system to a debt-based system."⁷⁶

Prices must be determined fairly and price fixing is discouraged, "*Allah is the One Who fixes prices, Who withholds, Who gives lavishly, and Who provides and I hope that when I meet Him none of you will have a claim against me for any injustice with regard to blood or property.*"⁷⁷ Monopolistic business was also declared unlawful by the Prophet because it leads to exploitation and interferes with the workings of the free market and encourages price manipulation (Al-Qaradawi, 1985, p255, Muslim, 2005).

Speculation is also regarded as wrong because it is based on selfish interest at the expense of society as a whole, leading the poor, who can least afford it, to pay more as a

⁷² "Encouraged upon you is business, for in it is nine out of ten of your sustenance" (*al-Ghazali*)

⁷³ "O ye who believe! Intoxicants and gambling, (dedication of) stones, and (divination by) arrows, are an abomination of Satan's handiwork: eschew such (abomination), that ye may prosper" (*Qur'an 5:90*).

⁷⁴ *Qur'an 2:275*

⁷⁵ *Muslim, Book 010, The Book of Transactions, No 3881.*

⁷⁶ Ahmad, K., (2003), "An Islamic Perspective", in Dunning, J., (ed), *Making Globalization Good*, (Oxford: OUP), p197.

⁷⁷ *Hadith reported by Ahmad, Abu Daoud, al-Tirmidhi, Ibn Majah and Abi Y'ala in Al-Qaradawi (1985 p.255).*

result. In the words of the Prophet : "If anyone withholds goods until the price rises he is a sinner" (Muslim quoted in Al-Qaradawi, 1985, p256) and in another Hadith we have: "The withholding of grain for 40 days out of desire of high price is prohibited in Islam" (Ahmad and Hakim quoted in Al-Qaradawi, 1985, p256)

Trade where the buyer has no chance to see what he is buying before the transaction occurs, because this puts the buyer at an unfair disadvantage. (Muslim, Book 010, No 3612). This applied specifically to two types of cloth buying (*Mulamasa* and *Munabadha*) which are not relevant in today's world, through the principle of the prohibition of selling things unseen clearly remains relevant.⁷⁸

Trades based on uncertainty were also prohibited because one party was at disadvantage. There are two Hadith making it clear goods could not be sold before the seller possessed them. Prophet Muhammad (P.B.U.H.) said "Whoever buys cereal shall not sell them until he has obtained their possession"⁷⁹ and said "Bargain not about that which is not with you"⁸⁰ This principle extends to buying of goods as well – so that any transaction that depends on a leap in the dark is forbidden. Thus exchanging dry fruits whose quantity and weight is known for fresh fruits that are still on the trees (*Mozabana*) is forbidden⁸¹ as is the selling of fruit futures (*Mu'awama*)⁸². Equally to sell things that one cannot possess, such as fish in a river or birds in the air (*Ba'i al Gharar*) is not allowed. Finally, buyers should not attempt to capitalize on the seller's ignorance as it has been reported that Prophet Muhammad (P.B.U.H.) said, "The townsman should not sell for a man from the desert (with a view to taking advantage of his ignorance of market conditions in the city). And Zuhair reported from the Holy Prophet that he forbade the townsman to sell on behalf of the man from the desert"⁸³ and likewise, *caveat emptor* is not accepted as according to tradition of Prophet (P.B.U.H.), "It is not permissible to sell an article without making everything about it clear, nor is it permissible for anyone who knows about its defects to refrain from mentioning them."⁸⁴

⁷⁸ When it comes to "fair trade" in Islam (*Bayn 'a*), views among the leading Islamic school of thought, as represented at least by the four Sunni doctrines (*fiqh madhahib*), diverge. In this respect, there are interesting variations concerning restrictions imposed on selling and buying.

⁷⁹ (Muslim, Book 010, The Book of Transactions, Number 3640-9)

⁸⁰ (Muslim, Book 010, The Book of Transactions)

⁸¹ (Muslim, Book 010, No 3693),

⁸² (Muslim, Book 010, No 3672)

⁸³ (Muslim, Book 010, The Book of Transactions, No 3628).

⁸⁴ (Hadith reported by Al-Hakim and Al-Bayhaqi).

LEGAL FRAME WORK REGARDING CSR

3.1 EXISTING LAWS OF CERTAIN JURISDICTIONS

Recently, the Governments as well as other private stakeholders have given portion of kindness to the subject of Corporate Social Responsibility. "It is broadly acknowledged among government, business and stakeholders across the world, that CSR is not about charity, but that it belongs to the core business of a company and therefore should be an integral part of doing business. Companies are under increasing pressure from society to take their social responsibility. This is especially so if it concerns companies with a business relation in a developing country, since these companies are more confronted with CSR issues."⁸⁵

The period supremacy means the scheme which 'delivers way to culture' besides is therefore broader than administration only (i.e. official commanding organizations and officialdoms and courses of the public sector). Administrations take a precise interest in this broader organization of ascendancy by way of them can be answerable aimed at its apparent disappointments. Corporate social responsibility is therefore a substance of attention aimed at the governments across the biosphere. Governments, being mentor of laws and policies have do legislations to regulate the social behaviors of each and every citizen, including corporate citizen. The Governments have been struggling more than other stakeholders to find strong arguments in the CSR debate.⁸⁶

Many states have so far applied lawmaking cheering industries and stockholders to labor added dynamically on social obligation. Indonesia claim to be first country on the face of earth to have made legislation on CSR as the House of Representative passed the bill on mandatory CSR, in 2007, while all objections from business sectors were rejected. Comparative study of the Netherland, Thailand and China was put before committee responsible for debating CSR bill. It was conceded by members that, then there was no precedent available for CSR legislation outside Indonesia but it was need of hour as the

⁸⁵ Greenpeace international, "Corporate crimes: the need for an international instrument on corporate accountability and liability," last modified, June 2002, accessed March 13, 2012, <http://www.greenpeaceweb.org/shipbreak/>.

⁸⁶ "Implementable Recommendations for Cleaner Production Programs in Pakistan," Executive Summary of The World Bank Final Report 16 May 2011, accessed in May, 26, 2012, <http://www.epa.gov/air/criteria.html>.

Indonesian Business People did not understand their responsibility towards the society which was evident from their lack of interest in following the environmental laws.⁸⁷

Later extent of compulsory CSR was restricted only to natural production companies. According to Indonesian Law of Mandatory CSR is obligatory for companies using natural resources to pay 3-5 percent of their profit to the government as their contribution towards mandatory CSR. However, there is great need of improvement in the said law as it has misperceptions and lack clear definition.⁸⁸

Denmark has made its mandatory for large businesses to annex a report of their CSR activities to their "management's review".

"The conventional corporate reporting model requires the disclosure of financial measurements which generally provide only one part of the overall picture of a company's performance. However, using Corporate Social Responsibility (CSR) reports and narrative reports to provide context for financial disclosures give investors and stakeholders a window on the company's future sustainability⁸⁹. The investment and financial sectors are increasingly requiring alternative forms of reporting to ascertain the longer-term corporate approach and the future directions of a company to facilitate assist in the determination and analysis of factors for facilitating corporate financing decisions".⁹⁰

The amendment Act dated 8th October 2008 (Annexure A) amending Danish Financial Statements Act was Introduced by the Minister from Denmark for Economic and Business Affairs (Mrs Lene Espersen).Parliament passed new law by overwhelming majority. The rule has not made mandatory for enterprises to indulge in CSR however they have to reveal that they remained not investing in CSR actions. The fresh Danish Act is a step further following the trends set by France and UK as both the countries passed legislations on the same issue that have required corporate bodies to report on their contribution towards society and environment protection in that method.

⁸⁷ Ibid.

⁸⁸ Waheed, Ambreen, "Evaluation of the State of Corporate Social Responsibility in Pakistan and a Strategy for Implementation," *For Securities & Exchange Commission of Pakistan and United Nations Development Program. UNDP, 2005.*

⁸⁹ David Bent, *The OFR is Dead. Long Live the OFR* (2006) Association of Chartered Certified Accountants, http://www.accaglobal.com/pubs/general/activities/library/governance/ofr_views/tech-ofr-db0306.pdf, accessed 15 December 2009.

⁹⁰ Anne Durie and Laura Horn, 'Sustainability Reporting: The Role of Financial Institutions' (2009) 37 *Australian Business Law Review* 342.

Danish deputy Prime Minister Lene Espersen supposed that by way of helping companies to develop their eco-friendly presentation the new reportage government would too brand Danish businesses additional good-looking to alien stockholders.

"Many Danish companies are good at working with CSR. However, often they don't tell the outside world about their efforts. I hope that this law will strengthen the knowledge abroad that Denmark is capable of creating responsible growth."⁹¹

Donald MacDonald, chairperson of the maintainable speculation creativity the UN Ethics for Responsible Savings, supposed nearby was a robust profitable circumstance for industries to encourage CSR and ecological writing.⁹²

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"For investors, corporate responsibility and the proper management of extra financial risks is essential," he clarified, addition that the original Danish lawmaking would "bring major benefits to Danish companies in international financial markets, and will be welcomed by global investors".

In France all the companies listed on stock exchange are required that the environmental and social conditions be made part of their annual report, since 2001. The purpose of this regulation is creating awareness in business community about consequences of their activities on society and environment.

The England followed the trend set by France regarding reporting environmental and social condition as part of annual disclose reporting as the listed companies in England are also customary toward document with societal as well as ecological conditions since April 2007, which includes pertaining to most recent procedures along with the consequence of the procedures. When the yearly document does not include things like information about the above mentioned, the actual areas definitely not described have to be explained.⁹³

⁹¹ Statement of Danish deputy prime minister Lene Espersen.

⁹² Phyllis P. Harris, "Combining Legal Mandates With Economics in the Application of Environmental Law," *Office of Enforcement and Compliance Assurance United States Environmental Protection Agency, Seventh International Conference On Environmental Compliance And Enforcement*, 31, www.ssrn.org.

⁹³ Phyllis P. Harris, "Combining Legal Mandates With Economics in the Application of Environmental Law," *Office of Enforcement and Compliance Assurance United States Environmental Protection Agency, Seventh International Conference On Environmental Compliance And Enforcement*, 31, <http://ssrn.com/abstract=1987809>.

Philippine has nowadays become one of the states foremost the domain to type CSR mandatory by law. Government in Philippine has passed an Act named "Corporate Social Responsibility Act, 2011" in March 2011(Annexure B).Recognizing it vital for nation building, the Act made CSR mandatory by Law. This Act requires Large Tax Payer doing business in Philippine to assign a sensible proportion of their net income to CSR and crash their CSR actions towards SEC, the corporate regulator in the country. For which, they have been given relaxation in the tax payment.

Pakistani taxation law gives tax concession to the companies contributing to charities and social welfare. Section 53 of Income Tax Ordinance,2001 to be read with clause 53A, 58, 59, 60, 61, 62, 63A and 65 of second schedule of above said ordinance, encourage CSR to some extent. Moreover, Code of Corporate Governance 2002, to be read with Companies Ordinance 1984 and SECP Act 1997, makes good corporate governance compulsory for listed companies which cover some of the aspects of CSR.

3.2 PROPOSED DRAFTS AND RECOMMENDATIONS REGARDING LAWS ON CSR IN VARIUOS JURISDICTIONS

Though most of the Governments around the world are reluctant in making CSR mandatory by law, yet the legislations have played a deep role in promoting CSR among the corporate citizen of society. In 1990s, while conducting review the law related to companies while CSR is opted is opted a voluntary matter.⁹⁴

"However, Later, the UK government also introduced legislation which not only encouraged, but in practical terms necessitated, the adoption of CSR policies by major companies. The route was indirect, using disclosure as the tool, and indirect in another sense too, in that it was accomplished through legislation directed at investors in business corporations rather than at the businesses themselves. In July 2000 pension funds were required by new UK legislation⁹⁵ to state whether and how they took into account in their investment decisions social, environmental and ethical considerations. There was no legislative obligation on them to do this, the requirement was merely to disclose whether they did so or not. Nonetheless, the practical consequence was that pension funds have increasingly chosen to take into account the CSR

⁹⁴ It has been observed that governments encouraged the emergence of the CSR concept, arguing, at the 1992 Earth Summit, for 'responsible entrepreneurship' but through voluntary initiatives." (Paul Hohnen, *Ethical Corporation*, 2 May 2005).

⁹⁵ "Occupational Pension Schemes (Investment, and Assignment, Forfeiture, Bankruptcy etc." (Amendment) Regulations 1999, S.I. 1999/1849.

policies of the companies they invest in. What pension fund, with its own reputation in mind, would want to publicly declare that it considers ethical, social and environmental issues irrelevant? This in turn had a knock-on effect on companies seeking investment from pension funds. Pension funds are major players in the stock market – members of the National Association of Pension Funds control a sixth of the UK stock market⁹⁶ – and their demands could not easily be ignored. Similar legislation has followed in Germany, Belgium and Australia.”⁹⁷

China has become a classical example of voluntary CSR.

“How China suddenly emerged as a role model in CSR may perhaps remain a mystery. This potential superpower may amaze everyone with its economic prowess, but it takes a great deal of imagination to regard it offering anything worth modeling in terms of CSR.”⁹⁸

On the other hand, Pakistani Government, as per Petroleum Policy 2012 has directed the Exploration and Production companies to contribute towards the social welfare of the area in which the companies are working. The Supreme Court of Pakistan, while passing an order dated 27.12.2013 (Annexure C) on Constitution Petition No: 46 of 2013, Civil Misc. Application No: 278-Q of 2013, and Human Rights Case No: 36052-S of 2013 directed Federal and the relevant Provincial Government to ensure diligent collection and monitoring of social welfare Funds of E&P Companies as per Petroleum Policy 2012, Further Honorable August Court of Pakistan directed the Government to lay down clear Guideline for monitoring of CSR activities⁹⁹.

India, a developing country of South Asia is also trying to promote CSR by the way of legislation and governmental policies. Government of India, reportedly, is pushing the corporate sector towards mandatory CSR. Indians are asking the oil companies to spend 2 per cent annual profit for the development of CSR. Corporate Affairs Minister Salman

⁹⁶ “*The Guardian*, 22 August 2005. The same article reports the NAPF’s announcement that while it was not issuing guidelines for pension fund trustees, it was nonetheless ‘urging’ them ‘to ask the investment managers who oversee their pension funds to consider corporate social responsibility when investing on their behalf’ as ‘CSR should be a “normal part of the investment process”’. The NAPF had already ‘been telling company boards that “failure to take account of their wider role in society could cause serious damage to their prospects”, but was now going one step further’.”

⁹⁷ McBarnet, Doreen, “*Climate change and corporate responsibility*,” Universities of Oxford and Edinburgh. <http://www.law.ed.ac.uk/essentialtechnologies/files/Doreen%20McBarnet%20December%202010.pdf>. visited on 24 Dec 2010.

⁹⁸ Noke Kiroyan, *Corporate social responsibility now law in Indonesia*, The Jakarta Post, 06 July, 2008.

⁹⁹ PLD 2014 SC 350.

Khurshid said. "The government will look at all options, including legislation, to make more companies adopt corporate social responsibility (CSR)",¹⁰⁰

We must not hope such measures should be taken in the absence of effective legal framework and such steps should taken in consensus from industrial sector as Khurshid told;

"The response to our voluntary guidelines has indicated that some people think in some areas we should move towards instructions, and in some areas the voluntary guidelines are adequate. The Corporate Affairs Ministry has put up a set of voluntary guidelines on CSR and corporate governance on its website for discussion and to elicit response. Sooner, the government is issuing guidelines to state-run firms on CSR spending, which could be in the range 3-5 per cent of net profits of up to Rs 1000 millions."¹⁰¹

There are certain international efforts being done to convince the businesses to opt practices of corporate responsibility for social purposes and bring them to single platform to acknowledge CSR. The UN Global Compact is one such international efforts.

"It was launched as a leadership platform for the development, implementation and disclosure of responsible and sustainable corporate policies and practices. Endorsed by chief executives, it seeks to align business operations and strategies everywhere with ten universally accepted principles in the areas of human rights, labor, environment and anticorruption."¹⁰²

"The Global Compact is a voluntary corporate citizenship Initiative with two objectives: First, to mainstream its ten principles in business activities around the world; and second, to catalyze action in support of UN goals. To reach these objectives, the Global Compact offers facilitation and engagement through several mechanisms: Policy dialogues, learning, local structures and projects."¹⁰³

¹⁰⁰ "Corporate crimes: the need for an international instrument on corporate accountability and liability," Greenpeace international, last modified June 2002 accessed March 12, 2012, <http://www.jstor.org/stable/3312323>.

¹⁰¹ <http://www.sify.com/finance/corporate-social-responsibility-could-be-law-khurshid-news-default-kdyrOcighbib.html>. accessed on 15 Dec 2011.

¹⁰² "Corporate Sustainability in the World Economy," http://www.unglobalcompact.org/docs/news_events/8.1/GC_brochure_FINAL.pdf

¹⁰³ <http://www.unglobalcompact.org/Portal/Default.asp?>, October 27, 2011

An international initiative of Global Compact which brought the companies with United Nations agencies, Civil Society and labor to sustain ten major principles in fields of Environment, Anti-corruption, labor and human rights. Furthermore, it has been launched in 2000 to seek advance dependable corporate citizenship while corporate activities are part of solution of globalization challenges.¹⁰⁴

The Global Compact is not a regulator on the behavior of companies regarding their social responsibilities, for this reason it cannot implement, impose such principles on the companies actions or their behaviour. Relatively, the Global Compact put trust on transparency, enlightened self-interest and public accountability of companies. Global compact pursuing their given principles related to the above highlighted CSR.¹⁰⁵

Following are the ten principles given:

HUMAN RIGHTS

1. The main businesses must respect and support to protect globally stated Human rights
2. To make certain that such business are not involved in abuses of human rights.

LABOR STANDARDS

3. Industries must uphold efficient recognition of shared bargaining and freedom of association.
4. Eradication of all types of compulsory and enforced labor.
5. Child labor should be abolished effectively.
6. Removal of biasness regarding occupation and employment.¹⁰⁶

ENVIRONMENT

7. Precautionary principles should be supported by Businesses concerning environmental challenges;
8. Possible initiatives should be taken to enhance environmental responsibility; and
9. Environment friendly technologies should be encouraged for the development.¹⁰⁷

¹⁰⁴ "Spheres of Influence: Understanding Human Rights in Business", in The 2004 Business & Human Rights Seminar Report, 9 December 2004, London: p. 21.

¹⁰⁵ Ibid

¹⁰⁶ "Spheres of Influence: Understanding Human Rights in Business", in The 2004 Business & Human Rights Seminar Report, 9 December 2004, London: p. 21.

¹⁰⁷ Ibid.

ANTI-CORRUPTION

10. Major industries should adopt Anti-corruption measures as bribery and extortion etc.¹⁰⁸

About 8500 companies are signatories to Global Compact. However, still this number of signatories of Global Compact is much lessor as more than 60 000 major corporation are operational around the globe in these days.¹⁰⁹

¹⁰⁸ <http://www.unglobalcompact.org/Portal/Default.asp?>, October 27, 2011

¹⁰⁹ Ibid.

CHAPTER 04

CASE STUDY OF VARIOUS JURISDICTIONS REGARDING THEIR PRACTICES OF CSR

4.1 PRACTICES OF CSR IN UK

Though no part of the UK “Combined Code on Corporate Governance, 2003” while discussing duties of Board, while given focus to CSR and recognized that companies must extend their duties beyond shareholders.

Section 1 sub section A.1 of “The Combined Code on Corporate Governance, 2003,” “The board should set the company’s values and standards and ensure that its obligations to its shareholders and others are understood and met.” Furthermore, the Turnbull Guidance must clarify the limits of risk evaluation to narrow financial risks but shall include “health, safety and environmental, reputation, and business probity issues”.¹¹⁰

The Companies Act 2006 has made it mandatory for directors of company to evaluate the company’s performance and its impact on environment and community, and to calculate accomplishment of the company. Section-172 of the Act of 2006, while narrating duties of Directors of the Company states as under:

“Duty to promote the success of the company:

(1)A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—

- a). The likely consequences of any decision in the long term,
- b). The interests of the company's employees,
- c). The need to foster the company's business relationships with suppliers, customers and others,
- d). The impact of the company's operations on the community and the environment,
- e). The desirability of the company maintaining a reputation for high standards of business conduct, and

¹¹⁰ “The Combined Code on Corporate Governance, July 2003”.

f). The need to act fairly as between members of the company.

(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.

(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.”¹¹¹

Increasingly, both People and Government of UK consider CSR as best practice. CSR Guidelines for companies and investors are published by the Association of British Insurers. It is pertinent to mention here that members of above said association having above 20 % registered companies in the Stock Exchange of London. “Socially Responsible Investment Guidelines” published by Association in year 2007 require that the annual report to highlight the risks of company regarding Governance, social and environmental (ESG) matters. The related committees for wages allocation required to reveal corporate performance on matters of ESG when allocating wages for most senior executives whiles structure for incentives unconsciously support ESG reckless behaviour.¹¹²

Government pay for a Website of CSR, which provides “an ambitious vision for UK businesses to consider the economic, social and environmental impacts of their activities, wherever they operate in the world”.¹¹³

Majority of corporations in UK recognize complying with rules of CSR as corporate requisite while highlight environmental and social matters in their annual report. Mounting number of ethical and green investment requires finding ethical and green businesses for investment.¹¹⁴

Inside UK, around 850 major businesses statements charitable organization business in the neighborhood with enormous membership rights regarding this kind of business philanthropy. “committed to improving their positive impact on society”. They publishes

¹¹¹ Companies Act 2006 of England, enacted on 8th November, 2006.

¹¹² Stock Exchange of London. “Socially Responsible Investment Guidelines” published by Association in year 2007.

¹¹³ Companies Act 2006 of England, enacted on 8th November, 2006.

¹¹⁴ Ibid

index of Corporate Responsibility to calculate CSR implementation to their business of companies. It can be said that CSR has become integral part of good governance for bigger companies in particular, rather an add-on or an optional extra.¹¹⁵

4.2 CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN CHINA AND INDONESIA

China has dramatically emerged as economic giant while their economy is developing from last thirty years and concern is increasing in international market has attracted attention of whole world. According to a report in 172 states above 10,000 overseas companies of china are working according to 2006. Chinese companies are continuously increasing their involvement in various sectors, like infrastructure, agriculture, natural resources, telecommunications, information technology and manufacturing throughout the globe.

“Among these growing sectors, the development of Chinese overseas extractive companies is the most impressive. Meanwhile, there has been much international criticism that Chinese overseas extractive practices have resulted in environmental harm and social instability in host countries.”¹¹⁶

China has started to develop modern corporate structures within last 30 years and development of multinational companies in china has even an abridged history. CSR is totally an emerging area in china, yet many efforts have been put in and lot of progress has been made.

Government has issued a policy document related to CSR which is mentioned as follows:

“Corporations should carry out their social responsibilities by abiding by all relevant laws, regulations, social norms, and business ethics codes. While pursuing economic profits, corporations are responsible for protecting the interests of share holders, employees, consumers, suppliers, communities, and other stakeholders. Moreover, corporations have responsibilities to protect the environment” (SASAC 2008a).¹¹⁷

¹¹⁵ Stock Exchange of London. “Socially Responsible Investment Guidelines” published by Association in year 2007.

¹¹⁶ Yang, Chloe. *Corporate Social Responsibility and China's Overseas Extractive Industry Operations: Achieving Sustainable Natural Resource Extraction.* http://www.fess-global.org/publications/issuebriefs/CSR_China.pdf page

¹¹⁷ Ibid.

Although in most of the world, the term of Corporate Social Responsibility was widely used in 1970, yet in china is reasonably a new concept. Modern Corporate structures were introduced, when market-based economic development has been embarked in China in 1980. Presently, At comparatively earlier stage, the effort to achieve goals of “maximizing profits” and “being environmentally and socially responsible” combinedly, is main confrontation in Chinese companies. In order to compete in modern global marketplace The Chinese companies had to adopt Corporate Social Responsibility practices at much earlier stage of development as compared to western companies approving the policies related to CSR after many years of operation.

Various Corporate Social Responsibility practices have been promoted by the actual China government, a number of China corporations, as well as civil community, in recent years. The Government of Peoples Republic of China constructively doing its great performance in promoting Corporate Social Responsibility at their own country. The socio economic goal publicized by Chinese president Hu Jintao’s 2005 statement announcing the nation really should build the ‘harmonious community, comes with a beneficial cultural as well as politics setting in order to really encourage CSR growth. In year 2006, in the Key Government Economical Operating Conference, President Hu Jin Tao requested government entities in order to really encourage businesses to ascertain current business values in order to presume CSR.

The Chinese government has coined lot of laws, regulations, and policies on CSR. “The China Social Compliance 9000 (CSC 9000),¹¹⁸”, the first ever CSR management standard in China ,was developed in 2005,for the textile industry. The standard was appreciated throughout the world. World Bank incorporated the CSC 9000 in its “Key Corporate Responsibility Codes, Principles, and Standards” as an example of a state-specific set of principles (Sun 2006). The novel Company Law in China requires companies working in China to carry out CSR practices. This law came in to force on 1st January 2006. Moreover in September 2006, guidelines on CSR titled as “Social Responsibility Guidelines for Listed Companies” were set free by Stock Exchange in Shenzhen. These guidelines encourage companies listed in Shenzhen Stock Exchange to follow CSR mechanism and develop and publish their report on CSR accordingly.

¹¹⁸ The China Social Compliance 9000 (CSC 9000).

“The Guiding Advice on Fulfilling Social Responsibility by Central enterprises was issued in 2008, by the State-owned Assets Supervision and Administration Commission” (SASAC), commission established by Chinese Government in this regard. This guideline incorporated the implementation mechanism for the development of CSR, stresses the central corporations to play an exemplary role to carry out CSR Practices. (SASAC 2008b).¹¹⁹

Yi Xiaozhun, Associate Minister of Commerce mentioned at the CSR, soft competence and Corporation summit in 2006, , that “the Chinese government is developing CSR standards that fit China’s current situation and that CSR was one of the priorities of the Ministry of Commerce”. This statement beside many others show the interest of Chinese government officials in CSR events and activities.¹²⁰

More and more companies operating in China seems to be aware of the fact that the development of responsible business operations is need of hour in the modern era of responsible behaviors. The realization of the above said fact can be judged from the increasing number of CSR reports being published by the Chinese Companies. Before 2005, handful of Oriental companies documented the CSR details as part of the yearly fiscal report. One example is, the Tiongkok Countrywide Petroleum Institution (CNPC) released the primary fiscal report within 1996 spanning safety, wellbeing, along with environmental details. Given that 1999, CNPC additional information about staff members along with philanthropic routines for you to the fiscal report (Yin 2007). In 2005 along with 2006, the important state-owned businesses, including the CNPC and also the Tiongkok Petrochemical Institution (Sinopec), published their first annual reports on CSR which led to development of CSR reporting mechanisms. Generally, these reports, organized prior to overseas CSR canceling requirements, my spouse and electronic. the Global Reporting Effort (GRI), consist of companies’ practices along with accomplishments with executing their CSR practices in the field of socio economic welfare and environment .In 2007, More the 34 Chinese corporations published reports elaborating their activities in motivation of their Corporate Social Responsibility, and the companies were 80 percent state owned. There was a nationalization policy.¹²¹

However, Chinese Companies’ active participation in household along with international CSR events along with meetings, including the China CSR Worldwide

¹¹⁹The Guiding Advice on Fulfilling Social Responsibility by Central enterprises was issued in 2008, by the State-owned Assets Supervision and Administration Commission, SASAC 2008b

¹²⁰ (*People’s Daily Online* 2006)

¹²¹ Tiongkok Countrywide Petroleum Institution (CNPC) released the primary fiscal report within 1996 spanning safety.

Community forum (Beijing 2008), the NOT International Sleek and stylish Peak (Geneva 2007), along with the Sino-European CSR Worldwide Community forum (Beijing 2005), is evident on their increasing interest in CSR.¹²²

A significant role has been played by NGOs, media and the academia in creating awareness in People of China regarding importance of CSR practices. In China, the social and political environment for NGOs during recent years, has become favorable because Chinese language government can be needs to understand this beneficial influences involving NGOs (Goh 2007).

Corporate and business cultural accountability (CSR) practices tend to be more dedicated to your areas regarding group outreach, ecological safety and health (EHS), and also ecological safeguard. Education is being given lot of importance due to corporate social responsibility.¹²³

- "Community Outreach" means the CSR practices of corporation to improve living standards in the communities where they operate their businesses. It may include internet hosting data consultations with regard to farmers to help you these individuals make best use of their particular crop produce, to rebuild infrastructure for community welfare destroyed by natural calamities or otherwise or to focus on community education about modern technologies.
- "Environmental Health and Safety" refers to the actions taken by enterprises to provide secure, at ease, and also appropriately licensed work environment to their employees to work. While minimum of EHS is to ensure that the companies are complying community toil regulations, however a lot of organizations head out considerably beyond the actual laws with environment their particular, a lot more rigid standards, and carefully extend these kind of standards right down to their own manufacturers and sub-contractors.
- "Environmental Protection" activities include the measures taken by the business entities to minimize their adverse effects on the environment in which they operate. This may include all efforts to eliminate all types of pollutions and to consume lesser energy.

Indonesia is practicing CSR since 1990s however first legal basis was provided in year 2007 by Limited Liability Company Law (Law Number 40 of 2007) and Investment Law (Law Number 25 of 2007).

¹²² International Sleek and stylish Peak (Geneva 2007).

¹²³ Ibid

The aforementioned legislation say the purpose of CSR insurance policy as follows:

- “(1) to optimize the role of private sector in building a welfare society, and
- (2) to reduce the potential for social gap between company community and local community who live in area surrounding the company’s operation area”¹²⁴.

Indonesian Law on CSR shows the interest of Indonesian Government in welfare of society. However. Mixture of small taxes profits in comparison with GDP, in addition to higher file corruption help make their state get much less strength in addition to general public price range for you to safe societal wellbeing.¹²⁵

The Government has required the companies to become source of welfare for the society in general and specifically for their employees as companies must enroll the individuals with regard to insurance plan in line with Rules Variety 45 12 months 2004 Concerning Nationwide Cultural Security Process.¹²⁶

The economy of Indonesia has been made to rely on bigger business enterprises due to Privatization and promotion of foreign direct investment (FDI) .The strong role of Multinational enterprises has been there from Dutch colonial era (Kemp 2001, p. 2). The privatization policy started making private sector started to make your individual industry spine of Indonesian economical progress (Schwarz 2004, p. 60) since the year of 1980. This sort of policy of privatization has been given continuation by the current administration.¹²⁷

Local people and local governments of the area have power to determine his or her relationship with personal sectors operating into their area. Political participation or self-determination rights have been improved in 2001 by the introduction of the national reform and decentralization policy. Religions especially Islam has lot of influence on Indonesian culture. Islam desires generosity of the affluent towards poor. Islamic regulation specifies which the fresh fruits associated with productivity must advantage town.

CSR Policies are regulated and their implementation is monitored by National and local government. Both domestic and multinational companies are the subjects of CSR policy. The CSR reporting have been made mandatory by Indonesian law for the companies working in the natural resources extraction sector, such as mining.

¹²⁴ Law Number 40 Year 2007, s. 5; Law Number 25 Year 2007, s. 4

¹²⁵ Rules Variety 45 12 months 2004 Concerning Nationwide Cultural Security Process.

¹²⁶ Ibid.

¹²⁷ (Schwarz 2004, p. 60) since the year of 1980

4.3 CSR PRACTICES IN PAKISTAN AND INDIA

Indo Pak subcontinent incorporates a very long wealthy record connected with in close proximity organization engagement with cultural leads to regarding nation's advancement. Inside Subcontinent, CSR is famous coming from ancient period since cultural obligation as well as charitable trust, which through unique age ranges will be adjusting it is dynamics with wider element, at this point often known as CSR. On the source connected with organization that leads in direction of excessive wealth cultural in addition to environmentally friendly concern shave deep sources inside the record connected with organization. Asia has brought a long traditions connected with corporate philanthropy in addition to business contentment have been put to employ since later 1800s. Historically, the philanthropy connected with business owners with Subcontinent has was similar to European philanthropy with becoming rooted with spiritual notion. Small business practices inside the 1900s that is classified socially in charge required unique forms: philanthropic via shawls for you to charitable trust, program on the group, increasing personnel contentment in addition to advertising spiritual carry out. Companies may give money for you to charity as well as informative institutions and may claim for them since excellent humanitarian manners, as soon as the truth is there're simply wanting to obtain group beneficial may.¹²⁸

The ideology involving CSR from the 1950s has been dependent on an premises with the accountability involving business to community. Throughout primary several years there was clearly tiny documentation involving societal duty projects throughout Subcontinent. Subsequently you will find there's increasing realization to contribution to societal pursuits internationally using a desire to enhance the instant natural environment. It has been located which into a increasing level organizations which shell out legitimate attention to your principles involving socially accountable actions are also loved by everyone and recommended for his or her goods and companies. It's granted climb to the thought of CSR.¹²⁹

Immediately after Liberty, JRD Tata exactly who generally laid a great deal of emphasis to travel outside of executing themselves while trustworthy individuals pointed out that there are several methods manufacturing and business enterprises can contribute to open public survival outside of your setting in their standard actions. This individual suggested that in addition to the evident one of giving money for you to excellent reasons which includes

¹²⁸ Ravi Costa and Sanjay Sampath, "India: Environmental Liability and Contamination Regulations," *Environmental Management* 3, (2011): 34, <http://ssrn.com/abstract=1679245>.

¹²⁹ Ibid.

been his or her standard train for a long time; they can use their very own personal, managerial and individual resources to provide job forces intended for commencing strong reduction and renovation measures. Gradually, it began to end up being approved, at the very least in theory that small business was required to share an integral part of your cultural overhead costs associated with. Traditionally, it had cleared its obligation for you to contemporary society via benefactions intended for schooling, health-related amenities, and methodical investigation among other materials. The top alter during that time ended up being that marketplace approved cultural obligation.¹³⁰

Worldwide Business and Management Study: A major international Journal included in the managing in the company themselves. The community advancement and societal survival method in the top Tata Business, Tata Flat iron and Aluminum Business ended up being started off the principles involving "Social Responsibility."¹³¹

As discussed above, CSR seriously isn't not used to The Indian subcontinent; companies just like TATA and BIRLA are actually drinking the situation regarding cultural very good within their operations for decades some time before CSR be a popular lead to. Notwithstanding getting like living sizing effective good examples, CSR inside The Indian subcontinent will be in a nascent period. It really is nevertheless one of many very least grasped projects within the Native Indian progress segment. It really is accompanied by a handful of public companies while formed by the quite basis of the lifestyle, and by a handful of non-public companies, along with worldwide shareholding while this can be a process accompanied by them within their individual overseas state. Thus the problem will be far from great for the reason that focus seriously isn't in cultural very good but instead using a plan to be put in place.¹³²

With all the moving in the management and business social responsibility paradigm to some stakeholder centric technique, practices in the ground level in addition have been through some sort of sweeping change for better. Atlanta divorce attorneys element of management and business social responsibility procedures the past several years possesses noticed firms innovating to increase efficiency, success along with answerability. The particular emphasis have been about pursuits which can be people-centric using active group involvement in any respect degrees. Further, the actual firms independently have relocated far away from the actual charity pursuits including offering monetary funds or perhaps

¹³⁰ Saha Arpita, "Judicial Activism in Curbing the Problem of Public Nuisance on Environment (July – November 2009)," (LLM diss. National Law University, Jodhpur, 2009).

¹³¹ Ibid.

¹³² http://www.legalserviceindia.com/articles/ev_ex.htm.

sponsorships in order to delivering products and services in a fashion that would produce a genuine variation within the target communities.¹³³

The first noticeable transform has been your introduction of an web host connected with revolutionary applications along with schemes in a number of regions similar to education and learning, professional medical, farm growth, environment security, security connected with artistic along with cultural heritage along with problem management which have been personalized to meet the suitable needs from the goal team along with organizations spend not simply financial resources although know-how, manpower, services for your productive setup of those schemes:

- Lupin India Ltd, India's 3rd largest maker associated with medication provides started out the task regarding providing lasting advancement in 154 towns over Rajasthan. This program rather than providing regarding piece-meal support it doesn't cause effective relief associated with low income or maybe sufficient advancement was created being a cutting edge of using activity plan that features an Gardening Profits Age group System, property cultivation along with fruits sugar plantation plans, fodder maintenance plans, sericulture along with water-recycling plans, business associated with health care along with instructional stores, adult literacy plans along with credit rating plans.
- Cipla, a different Indian native pharma key offers located a new fresh way of satisfy their corporate sociable accountability obligations by simply offering to trade a new cocktail involving three anti-HIV drugs, Stavudine, Lamivudine and Nevirapine, to the Nobel Prize-winning voluntary bureau Medication Sans Frontieres (MSF) for a price involving \$350, and at \$600 for every sufferer annually to help various other NGOs over the world. This specific offer must cause a substantial lowering in the prices of those drugs globally escalating your convenience of those drugs specifically inside acquiring places.
- Ranbaxy, certainly one of India's key drug companies performs several cell phone health-related vans and two downtown wellbeing facilities that reach more than a million people in numerous aspects of north and main The Indian subcontinent included in their corporate sociable accountability motivation.
- Tata Consultancy Companies (TCS) possesses set up some sort of fully-equipped personal computer coaching research laboratory with regard to young children

¹³³ Ibid.

through the Society with the Well being of the Literally Equipment and Exploration Center, with Pune with regard to providing simple personal computer information. NIIT possesses presented an extremely popular 'hole-in-the-wall' program exactly where that spots a pc over a open public wall with downtown and rural regions to ensure community young children may learn personal computer fundamentals while using the play-way process.

- Bharat Electronic devices Ltd designed cyclone evidence properties with the subjects of the tremendous cyclone with with the help of the actual subjects independently so your properties are made as outlined by the desires.
- Ion Swap possesses launched some sort of lucrative enterprise with regard to environmentally friendly defense by way of mineral water remedy, afforestation and normal grinding.¹³⁴

As well as development, companies have worked difficult on integrating corporate and business societal responsibility to their central methods. There is today greater examination and stricter obligation and visibility norms with regard to societal projects along the lines of tradition arranged with regard to well known tasks and ventures. Sudha Murtjy of the Infosys Foundation, the actual societal project equip of the the item key Infosys, makes clear the fantastic attempts that corporation intend in make sure the actual tasks these are associated with are in reality genuine and provide an intention,

“We get a lot of projects, so we do a round of elimination...make a shortlist, as to which are the good ones, after a lot of verification. Then we supervise the implementation part by visiting the area. But we have to work very hard, during all holidays, weekends and 18 hours every day,”

Several agencies such as Fuel Authority of Asia Ltd. (GAIL) have introduced benchmarking workout routines with regards to CSR actions and sector bodies such as Confederation of Indian native Industries and FICCI have introduced cross-sectoral software programs, for once, with CSR related places.¹³⁵

¹³⁴ http://www.legalserviceindia.com/articles/ev_ex.htm.

¹³⁵ Ravi Costa and Sanjay Sampath, "India: Environmental Liability and Contamination Regulations," *Environmental Management* 3, (2011): 34, <http://ssrn.com/abstract=1679245>.

PAKISTANI COMPANIES ENGAGED IN CSR

Some person corporations have also consumed the actual direct with CSR endeavours and within a questionnaire executed by simply Pakistan Heart for Philanthropy (PCP), it absolutely was discovered that numerous blue chip general public limited corporations took the actual direct with charity contributions. In this reverence, the actual former Leading Minister, Mr. Shaukat Aziz experienced suggested that corporations need to yearly donate in accordance with best overseas criteria at the very least 1% of these income before duty for societal growth. In fact these kinds of corporations should be acknowledged widely from proper community forums along with the PCP has had the actual direct by simply beginning the actual 'Pakistan Company Philanthropy Awards' with 2004. Contributors are usually acknowledged and granted in objective considerations while using number of providing along with the contributions as a portion from the income before duty. It will be an incentive when these kinds of actions were being more institutionalized to advertise and enhance some sort of CSR lifestyle with Pakistan.

CSR PRACTICES OF MULTINATIONALS

The applicability of Multi Nationals have secondary as well as direct impacts on Corporate social Responsibility in Pakistan. They are also very important observers in the implementation of Corporate Social Responsibility. In Addition to that, MNs also applies CSR arguments in those firms with whom they have contractual relations. In my research, I have chosen three examples for the notification of: Unilever, Nestle and Shell Oil.

ICI PAKISTAN Ltd

ICI has very unique company which has a very strong stance on CSR. So far, it has great contribution in both equity and social initiatives for responsibilities. It believes on the disclosure of information of shareholders and their unique publications. It could be be financial or could be present on press releases or press conferences.¹³⁶

ICI PAKISTAN FOUNDATION

ICI was established in 191. This Foundation's philanthropic and social aid activities are helping the day by day growth of the companies. It is also helping in the diversification of

¹³⁶ <http://www.ici.com.pk>

many types of businesses and the establishment of plant sites in important different parts of Pakistan.

It always provides pecuniary help to bona fide institutions and well established health, education and social welfare departments. It also deals with the projects which serve the oppressed and depressed classes. After the collection of tax, percentage of Profit is also given to its Foundation every year to run out their philanthropic works.

Grants are also given for the compliment rather than substitute government or other private budgets. It is self-dependent. Since many times, ICI of Pakistan has always helped and supported the social enhancing activities. It has so far improved and enlarged many infrastructure activities in nearer educational schools which are present at around Sheikhpura and Khewra, in these places, two very major projects of this Company are situated.

ICI Pakistan, with the help of the Layton Rehmatulla Caring Trust (LRBT) doctors, demeanors Eye Clinic programmes, at the Firm's Winnington Hospital positioned at the Soda Ash plant, Khewra since 1991. The Winnington Hospital recognized in the ICI Estate at the Soda Ash plant Khewra obliges the class by given that allowed weekly OPD facility.

ICI Pakistan, seeing the severe scarcity of intake water in Khewra has delivered nine Community Taps of water in the locality near Soda Ash plant. These Water Blows are working round the clock in case maximum 23,000 gallons of drinking water every day to the masses of Khewra.

It was founded in 1973. The Ladies Welfare Centre at ICI Pakistan's Soda Ash Plant at Khewra aids the resident public by informing assistances progress trains for girl students under the regulation of a group of competent Lady Coaches. Trade and commerce also include hurtful and sewing, knitting, cross-stitch, catering and holy teaching. Ever since its foundation this Centre has so far qualified 1060 pupils of the Khewra civic. Presently the Centre has 80 pupils.

The Winnington School positioned inside ICI Pakistan's Soda Ash Khewra park outfits to the scholastic requirement of the operate teenagers and the civic in and everywhere Khewra. At existing 73% of the learners are from the civic and 27% of the pupils are progenies of the employees.

The Polyester Fibres Business of ICI Pakistan energetically reserves the Sheikhpura civic by firm care on a minor village of Tibbi Harya positioned end-to-end to the Plant. The Commercial in partnership with an NGO, Idara-e-Taleem-o-Aghai, have amended the state of the civic school. The institute is now bright to afford transference to the coaches, cold

drinking water from a cooler and sparkling scene with anew dyed college sites. The deepness of the water cause has also been bettered to deliver improved eminence water to the pupils and the citizens of the town ICI Pakistan Paints Business, as a quantity of its municipal relatives, funds the SOS Children's Village, Lahore.

Project Green is a tree plantation ambition thrown by the Soda Ash Business in 1992, on its dried-up emerald cradles. Due to the Mission, bio-multiplicity of the part has been improved; Eco Sociable countryside of the runoff demonstrated; usage of salvaged water has been recognized and a preserve of birds and animals and a entertaining aspect for the inhabitants has been shaped. ICI Pakistan with the partnership of WWF – Pakistan arranges Nature Festivals each year. As a post festival movement, ICI Pakistan also ways appearances at universities prominence the importance of Road Security, Safe Families and Own Health.

SHELL OIL

Shell Pakistan has started extensive variety of creativities that descent inside the purview of corporate social responsibility in specific on basic rights, atmosphere, work values, healthiness, schooling, and anti-bribery. In 1976, Shell printed its Statement of General Business Principles (SGBP) that includes important corporate philosophies. These philosophies are not only destined for Shell staffs but also with whom Shell manner its commercial “notably contractors and suppliers, but also to other third parties.”

Shell's

“standard contracts require its contractors and suppliers to understand the SGBP and, in the course of their work for Shell, to treat their employees properly, uphold the law, and refrain from anything that could harm Shell's reputation.”¹³⁷

Shell exactly prohibits giving carrots or “facilitation fee.” Certain of the events assumed by Shell in clearing its CSR are:¹³⁸

Being an oil company greatest of the worries that have been higher touching its processes are situation linked. Two schemes which have been assumed by the firm together with the WWF for the safeguarding of woods are: Defense and safeguarding of the Mangrove Forests in the Indus Delta Area (south of Karachi) which is share as a revenues for the existence of the

¹³⁷ http://www-static.shell.com/static/pk-en/downloads/about_shell/business_standards.pdf

¹³⁸ http://www.shell.com/home/Framework?siteId=pken&FC2=/pken/html/iwgen/leftnavs/zzz_lhn8_0_0.html&FC3=/pken/html/iwgen/society_environment/dir_shellandsociety_10111700.html

fishing groups, as well as for protection of bio variety. The scheme is meant at improving and construction the size of the local public so that they can complete safeguarding and growth events on their self.

Ayubia National Park, a part close to Muree, anywhere the resident public has been robust timber at the level of 11 metric tons per domestic a year. If this amount continues, the woodland will be fronting whole loss in following 20 years. Labors have been finished to inspire families to habit LPG in its place of firewood. In this regard, LPG tools has been providing at a promoted degree to 300 households. The objective is to change all 25,000 communities from the nearby groups to LPG. These labors are completed with consciousness structure programmers in the native schools about woodland protection.

In its actions for the development of GALIAT, growth of the Nathia Gali Park is undertaken. Evident labors have also been made for the falling midair smog and the result of oil trips, for example Sbell has enlarged the amount of deal positions contribution CNG from 54 previous year to 72. It is also the chief native oil corporation to obtain Tier I maritime oil tumble switch and salvage tools charitable it a local capacity to reply prompt and efficiently to decrease the results of oil spills.

Unique of the simple purposes of the business is the transport of fuel properties through out the nation. Talking the subjects such as underprivileged street circumstances in Pakistan and possible tragedy rising from coincidence of cars quiet coal and fuel things, the corporation has started Safar Bakhair, a street security programme.

Reserves in the arena of fitness have been ended with the article of given those plain healthiness abilities to the deprived assembly of people. The events includes Founding of Karvan-E- Hayat – ability for psychological health precaution in Karachi; backing of Layton Rahmatullah Kind Trust including of six sick bay all over the state meant at as long as open sense caution action counting cornea spare to over a 10 lacs people; and the kidney midpoint which delivers allowed remedial action counting dialysis to deprived patients.

Spotting the significance associated with training Shell Pakistan features made benefits intended for delivering good quality college textbooks for under resourced educational facilities, and place associated with educational facilities for females. Notably, Shell features contributed with starting, Behbud Affiliation that supports education associated with females; launching Individual rights training system along with the guide group geared towards delivering no cost wording books to be able to inadequate learners; starting Shell house with the title associated with ASHIANA for the SOS Village with Karachi; and Tameer Programme, in whose objective would be to create entrepreneurial skills on the youngsters.

Introduced with January 2003, around 10, 000 men and women include benefited because of this system up to now.

Within this esteem additions are made for the particular defense along with maintenance of the websites that have been abandoned irrespective of getting expressed, UNESCO earth historical past. These include Rohtas Ft, any 15th centuries structure by means of Emperor Sher Shah Suri. Crucial additions have also been made for the particular defense along with growth regarding Mohhata Palace Public that was once the particular house regarding papa on the nation.

UNILEVER

Even though the CSR routines of Unilever Pakistan are targeted inside the areas of normal water, health and education and learning, the corporation as subsidiary of a multinational adheres to vast set of principles pertaining to sociable responsibility. This company explains to you the “values with the thousands of partners around the world who help [it] source and produce its brands, and deliver them to consumers”¹³⁹

In 2004, the corporation has planned a fresh provider endorsement method that “formally includes assessment and rating of environmental care, health and safety at work and compliance with [Unilever] business principles.” The business offers the Small business Associate Value to everyone natural materials in addition to presentation vendors along with who it's primary interaction, possesses prepared auditors constantly in place in all parts who evaluate vendors in addition to corporation packers.¹⁴⁰

Here are parts in Pakistan, for case, Thar, a dry, desert area in Southern Sindh—that has severe scarcity of water. Unilever in company with a native NGO had provided hand drives to the inhabitants of Thar. The programme was ongoing at the finish of 2001, and up to now 132 hand drives are connected at a price of Rs. 30 Lacs and an extra 86 estimate Rs. 2 million are deliberate for the year 2005.

Unilever Pakistan provision foremost medicinal organizations with a verified path personal best of curative and kind for the humblest in the culture. The Business has providing provision to the Agha Khan University Hospital in construction its Oncology section and Shaukat Khanum Memorial Cancer Hospital in provided that able cancer conduct to its patients.

¹³⁹ http://www.unilever.com/Images/Social%20Report%202004_lowres_tcm13-13233.pdf.

¹⁴⁰ Ibid.

In addition Unilever Pakistan is even follower of other medicinal governments that luxury the poor. These comprise Layton Rehmatuallah Benevolent Trust, Marie Adelaide Leprosy Centre, The Kidney Centre and Lady Dufferin Hospital.

With lone 40% illiterateness ratio, the teaching subdivision in Pakistan needs substantial provision. Under its public participation programme, Unilever is providing main education to lower classes parts; better programme in inferior revenue / pastoral schools, via bigger books on courses; and providing educator physical activity for municipal seminaries to recover instruction standards.

NESTLÉ

"Nestlé Corporate Business Principles," pamphlets commercial values that reproduces Nestlé obligation to Corporate Social Responsibility as the method of doing business.¹⁴¹ Nestlé completely pledges to the United Nations Global Compact. In relative with its commercial associates, "Nestlé insists on honesty, integrity and fairness in all aspects of its business and expects the same in its relationship with all business partners and suppliers of materials, goods and services."¹⁴² Nestlé also chains OECD References on Inducement and Global Corporate Dealings of May 1994. Nestlé's Pakistan exact CSR performs that reduction under its Shared Act Agendas are:

Nestlé places food package for malnourished kids and moms through numerous NGO associates and generous administrations.

Nestlé brands contributions to infirmaries and bureaucracies that deliver facilities to the deprived and also replies to pleas by the administration and NGOs for help to victims of overflow, quake, lack and other expected disasters.

Nestlé deliver help to country populace which does not have informal contact to moveable water by responsibility tube well and hand drive connection organizations in designated parts. Nestlé brands its influence to assistance recover the excellence of teaching in rustic zones that persisted deserted for besides lengthy. It commences to reeducate and revamp principal and internal seminaries, predominantly folks for lassies.¹⁴³

¹⁴¹ Nestlé Milkpak Limited, Management Report 2004, P. 50

¹⁴² Nestlé Corporate Business Principles, p 14.

¹⁴³ Nestlé Corporate Business Principles, p 14.

CSR PRACTICES OF LOCAL COMPANIES

Beside Multinational, certain local companies are also practicing CSR, some of these enterprises are even reporting their CSR regularly. Below is the some of the details of CSR performs described by native businesses.

ENGRO CHEMICALS PAKISTAN LIMITED

Engro Chemicals Pakistan Limited (ECPL), the second main creator of Urea fertilizer in Pakistan, was combined in 1965. Amongst such actions that are debated under the website of ECPL also leans influence to nationwide exchequer in previous five years, obligations, duties and supplement Rs. 7.4 billion and labors income contribution account Rs. 418 million below the title of CSR.¹⁴⁴

Health care schemes constructed/reinforced Engro Chemicals Pakistan Limited has providing allowed snake bite handling in Dharki and many 38000 losses have been preserved under this inventiveness. ECPL yearly circles allowed eye sites in rustic extents. It also founded the notion of walk-a-cause in Pakistan and has elevated coffers to shape kidney centre at Karachi, Shaukat Khanum cancer hospital at Lahore and a medication hindrance & regulator centre at Islamabad. It has also donated near the Eye OPD structure at JPMC, Karachi, a thalassemia centre at Sukkur, Agha Khan's Cardiovascular operation component, atomic medication package and oncology part. Close its plant position at Dharki, ECPL has started plans at rustic health centre Daharki that comprise emerging a motherhood home-based, an eye hospital and a plasma group at Daharki. It has also recognized a dialysis centre at Daharki.

Below education, ECPL has assumed grant donation account aimed at Lahore University of Management Sciences (LUMS). It has aided concept a present seminary ability in teamwork with the inhabitant's basis (TCF). ECPL has donated Rs. 20 million near this development. It has also aided found a tutors exercise and source midpoint at Daharki to rally excellence of professors. Too these, ECPL has paid on the road to the grounds of IDA Rieu school for sightless, Karachi, IBP school of special education, Absa School for deaf children, Sahara school in Daharki, structure and progression of town departments, gift studentships in pastoral extents and enlightening studentships to ECPL importers' broods.

In instruction to recover the athletic amenities at Daharki, ECPL has made a sports ground at Daharki. Amongst, other CSR happenings, ECPL have facilitated in up-stage of Daharki railway location, building/roadway of streets and sewerage scheme in townships everywhere

¹⁴⁴ <http://www.engro.com>

respectively and also, with 2006, Engro Chemical compounds Constrained seemed to be the actual safe bet for the matter with regard to health classification. These include extremely telling improvements and even more Pakistani businesses must be involved in desire to honours to attain recognition about local and also worldwide levels.

It is therefore wished of which many Pakistani businesses is going to be urged by the the latest initiatives taken by establishments and a few leading management and business management to be able to create the sensible and also flourishing CSR culture with Pakistan. As a very first step, attempts must be made to really encourage businesses to publish his or her CSR policies and also techniques and also such statements or even reviews must be made the voluntary area of the Value regarding Corporate Governance with regard to outlined businesses. It will guide establish CSR standards and also showcase cut-throat culture within businesses in the field of management and business societal accountability.

CONCLUSION AND RECOMMENDATIONS

The researcher submits that it is of no mistake to regulate CSR

CSR needs to be market-driven. However, there is a tendency to accept the market as if it were somehow devoid of regulation. In CSR research and debates the idea of the business case has falsely come to signify the window of opportunity for CSR in a presumably unregulated free market environment. But markets are not free the way Adam Smith wanted them to be. Markets almost everywhere are already heavily regulated. However much of this regulation is about discouraging business behaviour that produce negative externalities for society.

Parliament should enact a separate legislation for the making corporate social responsibility mandatory specially for bigger enterprises as the Corporations being citizens ought to contribute to society and such contribution should be mandatory by law and regulated by law as it is the need of hour, globally and specially in country like Pakistan where corporate exploitation is at its peak.

The above said legislation should:

- Making corporate social responsibility mandatory especially for bigger enterprises as the Corporations.
- Make corporate social and environmental reporting and disclosure mandatory for all enterprises.
- Give directors a duty of care for communities and the environment, making them legally responsible for the actions of their companies overseas;
- Enable people harmed by companies' operations to seek redress in courts of competent jurisdiction and provide resources to allow them to do so.
- Establishing a statutory body for the monitoring and regulating the activities of CSR.
- Establish special tribunals to penalize the companies, enterprises and their official in case of non compliance of provisions of said legislation.

The researcher also like to submits that, regulation will not, overnight, make a difference, So work on compliance, which has in effect already begun, which is absolute key to solve this need of the hour, which is essentially an extension of the voluntary approach.

The act of compliance could be exercised through:

Consumer's Education

Today, social responsibility is no longer a matter of corporate discretion, due in large part to the society's growing influence. Various stakeholders in wellbeing of society are more likely to acknowledge progress and success if companies are not candid about problems and mistakes. Such stake holders comprise human rights, environmental, and community service groups. Many of the above said stakeholders can be extremely efficient in playing their role on the Media regarding general awareness of people regarding CSR. The role of Media is often that of multiplying effects and reinforcing trends. In the bad guy/good guy world of modern media world, there is a need to make stories simple and understandable. Issues Linked to CSR have a solid potential to grasp the audience through the human interest Angle. Whatever negative events happening around the globe, the chances of domestic Media coverage of the event rise from zero to 100 if it is linked to a domestically owned company. The global consumer is becoming better informed every day, it is need of hour that the domestic consumer be made aware regarding society's right of the businesses making profits from the society. NGOs, media, modern technology, including the Internet, all "conspire" to ensure an ever more robust basis for ethical or socially responsible selection of consumer goods. The impact of the communication revolution deserves particular attention. While before consumer groups had to work really hard to reach out and sustain support for boycott campaigns among the politically conscious, modern communications make the average consumer far more likely to become influenced even by rather simple messages.

- **Star Ratings: for brand building through CSR**

Corporate social responsibility (CSR) is a term that is now growingly familiar to private sector entrepreneurs operating in different fields of the country. CSR has opened up a new dimension to making businesses or enterprises responsible and contributory to their employees, the society, the national economy and the environment. Under the CSR concept

certain firms have developed the awareness that their employees ought to be treated fairly, justly and equitably not only for the latter's well being but also for the firms to gain from employees' satisfaction and hence their working harder or more sincerely. Outside the firms, the entrepreneurs started and maintained initiatives ranging from environment friendly activities such as planting trees and beautification to establishment of academic and health care institutions for the poor. There is no need to explain why these types of CSR activities related to establishment of various care facilities for the poor or in the alleviation of their poverty, should be hugely welcome. For more the net of such activities, the same would be in support of similar governmental endeavors with both streams making a greater impact on poverty reduction and delivery of critically needed services to the vast number of the non affluent ones in the population. Thus, CSR needs to be recognized and promoted as positively complementary to government's own actions for social and economic distributive justice. The government or any other authority should in this regard must provide for the star rating to the enterprise ranging from 1 to 5 on the basis of work done by the concerned in community as well as in the social welfare of the society at large.

- **Tax Deduction: In case of valuable steps towards CSR**

CSR is gaining in momentum but it could really accelerate with the right kind of governmental stimulus given to it. CSR activities can be powerfully aided leading to their substantial increase, if only government takes the step of exempting such activities from taxation. By reducing the rate of tax on CSR money or waiving the tax altogether, government can give a big boost to CSR. But the issue is that it also needs safeguards to ensure that the untaxed CSR money would be completely and incorruptibly used by businesses once the facility is extended. There would surely be a way for the government and businesses to devise a framework for ensuring satisfactory utilization of CSR funds. But this goal should now be chased with some urgency and followed by a prompt decision to exempt or reduce tax on CSR money.

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ANNEXURE A

The Act amending the Danish Financial Statements Act (Report on social responsibility for large businesses) Introduced on 8 October 2008

“In the Danish Financial Statements Act ("Årsregnskabsloven"), cf. Consolidated Act no. 647 of 15 June 2006, as amended by section 5 of Act no. 108 of 7 February 2007, section 63 of Act no. 468 of 17 June 2008 and Act no. 516 of 17 June 2008, the following amendments shall be made:

1. - after section 99, the following shall be inserted:

“99a.-(1) Large businesses shall supplement their management's review with a report on social responsibility, cf. subsections (2)-(7). Corporate social responsibility shall mean that businesses voluntarily include considerations for human rights, societal, environmental and climate conditions as well as combating corruption in their business strategy and corporate activities. Businesses without policies on social responsibility shall disclose this information in their management's review.

(2) The report shall contain information about

- 1) the policies of the business on social responsibility, including any standards, guideline or principles for social responsibility that the business is using;
- 2) how the business realizes its policies on social responsibility, including any systems or procedures in this respect;
- 3) assessment of the business on achievements resulting from its work on social responsibility in the financial year, and any future expectations to the work of the business.

(3) The report shall be submitted in connection with the management's review.

However, instead the business may choose to submit its report

- 1) as part of a supplementary statement to the annual report, cf. section 14 and to which reference is made in the management's review, cf. subsection (4), 1st clause, or
- 2) on the website of the business with a reference in the management's review, cf. subsection (4), 2nd clause.

(4) The Danish Commerce and Companies Agency shall lay down rules for publication of the report on social responsibility in a supplementary statement to the annual report as well as the duties of the auditor in relation to the information published in such a statement, cf. subsection (3), no. 1. The Danish Commerce and Companies Agency shall lay down rules on publication of the report on social responsibility on the website of the business, including rules on updating information on the website of the business and the duties of the auditor in relation to the information published on the website, cf. subsection (3), no. 2.

(5) For businesses that prepare consolidated financial statements, it shall be considered sufficient to submit information for the group as a whole pursuant to subsections (1) and (2).

(6) A subsidiary which is part of a group may refrain from including this information in its management's review, if

- 1) The parent company complies with the disclosure requirements according to subsections (1) and (2) for the whole group; or
- 2) The parent company has prepared a progress report in connection with accession to the UN Global Compact or the UN principles for responsible investments.

(7) A business which has prepared a progress report in connection with accession to the UN's Global Compact or the UN principles for responsible investments may refrain from providing the information described in subsections (1) and (2). The business shall state in its management's review that it is making use of this exemption and state where the report is publicly available."

2. In section 135(5) the following shall be inserted as the 1st clause:

"Where it is permitted by legislation that information which is given in the financial statements or consolidated financial statements may alternatively be placed in other documents, etc. to which reference is made in the financial statements or consolidated

financial statements, the audit obligation under subsection (1), 1st clause shall include the information stated in such documents etc.”.

3. In section 135(5), the following shall be inserted after the 2nd clause as the 3rd clause:

“The 2nd and 3rd clauses shall apply to information stated in the management's review and information, which under this Act or regulations issued pursuant to this Act, is alternatively published elsewhere and to which reference is made in the management's review.”.

4. In section 135a (1), 1st clause, "management's review, cf. section 135(5), 2nd clause", shall be amended to "management's review etc., cf. section 135(5), 3rd and 4th clauses".

5. After section 149 the following shall be inserted before the heading "Non-receipt or late receipt of the annual report or exemption statement:

“149a. Where it is permitted by legislation that information which shall be stated in the annual report may be alternatively placed in other documents etc. than the annual report, such documents etc. shall be made available to the users of financial statements at the same time as the annual report.”

2

This Act shall enter into force on 1 January 2009 and shall apply for the financial year commencing on 1 January 2009 or later.

3

This Act shall not apply to the Faeroe Islands and Greenland, but may be brought into force wholly or partly by Royal Decree for Greenland subject to any variations necessitated by the specific conditions prevailing in Greenland.

ANNEXURE B

“AN ACT INSTITUTIONALIZING CORPORATE SOCIAL RESPONSIBILITY AMONG LARGE TAX PAYERS AND PROVIDING INCENTIVES THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. - This Act shall be known as the "Corporate Social Responsibility Act."

SEC. 2. Declaration of Policy. - The State recognizes the vital role of the private sector in nation building and shall encourage its active, participation in fostering sustainable economic development and environment protection in the Philippines. Towards this end, the government shall mobilize its various agencies, in coordination with non-government organizations and people's organizations, to work hand in hand for the integration, promotion, and strengthening of corporate social responsibility among large tax payer corporations.

SEC. 3. Corporate Social Responsibility. All large taxpayer corporations, whether domestic or foreign, doing business in the country, are hereby mandated to allocate a reasonable percentage of their net income to corporate social responsibility (CSR).

For purposes of this Act, "corporate social responsibility" refers to the commitment of business to behave ethically and to contribute to sustainable economic development by working with relevant stakeholders to improve their lives in ways that are good for business, sustainable development agenda and society at large. CSR related activities shall include, but not be limited to the following:

a) Charitable;

- b) Scientific;
- c) Youth and sports development;
- d) Cultural or educational purpose;
- e) Services to veterans and senior citizens;
- f) Social welfare;
- g) Environmental sustainability;
- h) Health; and
- i) Disaster relief and assistance.

Provided, these CSR activities shall exclude mandatory activities already imposed upon these large tax payer corporations as provided by existing Philippine legislations.

For purposes of this section, the definition of a "large taxpayer" corporation found in Section 245 of the National Internal Revenue Code shall be adopted.

SEC. 4. Incentives. - All expenses incurred by any corporation whether a large tax payer or not, in the exercise of its corporate social responsibility may be deducted from its taxable income.

SEC. 5. Local Government Units. - All local government units where CSR-related activities are conducted shall extend whatever assistance is necessary for the large tax payer corporations in their exercise of CSA.

SEC. 6. Periodic Report; SEC as Repository. - All large tax payer corporations shall submit as part of its annual report to Securities and Exchange Commission (SEC) the list of activities relative to their corporate social responsibility.

The SEC shall be the principal repository of all public records related to CSR for which it shall create a system for proper management, control, and regulation of record disposition.

SEC. 7 Implementing Rules and Regulations. - The Secretary of Finance shall, in coordination with the Department of Trade and Industry and Securities and Exchange Commission, and in consultation with the private sector, promulgate rules and regulations for the effective implementation of this Act and shall regularly monitor strict compliance therewith.

SEC. 8. Separability Clause. - If any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue in full force and effect.

SEC. 9. Repealing Clause. - All laws, decrees, orders, rules and regulations, and other issuances, or parts thereof, inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 10. Effectivity Clause. - This Act shall take effect fifteen (15) days after publication in the Official Gazette or in two (2) national newspapers of general circulation.

ANNEXURE C

IN THE SUPREME COURT OF PAKISTAN

(Original jurisdiction)

Present: Mr. Justice Jawwad S. Khawaja

Mr. Justice Khilji Arif Hussain

Mr. Justice Gulzar Ahmed

Constitution Petition No: 46 of 2013. (Application by Mr. Abdul Hakeem Khoso Advocate)

And

Civil Misc. Application No: 278-Q of 2013. (Application by Sardar Abdullah Jan against

Mari Petroleum Company Ltd.)

And

Human Rights Case No: 36052-S of 2013. (Application by Abdul Ghafoor for redressal of his grievance against ENI Gas Field Jamshoro).

JUDGEMENT

Jawwad S. Khawaja, J. Pakistan has been blessed with a diverse array of natural resources including mineral oil and natural gas. The people of Pakistan are the ultimate owners of such resources through their Governments and State controlled entities. The Oil and Gas Development Corporation Limited (OGDCL) which is a State enterprise and more than 25 other Companies, domestic and international, are engaged in exploration and mining of oil and gas in various districts covering in excess of 30% of the land area of Pakistan. The activities of these Companies inevitably have a disruptive effect on the populations residing in the areas where they operate.

2. The world of today is no longer one of unbridled capitalism and laissez-faire. Corporate enterprises doing business the world over are being forced to consider the impact of their activities on the immediate social and environmental surroundings, habitat and infrastructure and on the people of the areas where such enterprises operate. While Corporate Social Responsibility (CSR) may be voluntary, the Government, recognizing the importance of activities of companies in the oil and gas sector, has incorporated provisions in contracts and

official policies, setting out obligations of oil Exploration and Production (E&P) Companies operating in Pakistan. The present case deals with these contractual and legally mandated obligations of E&P Companies towards the environment and the societies living in areas where these Companies are engaged in the exploration and extraction of mineral oil and gas.

3. The present case also emphasises the importance and utility of Article 184(3) of the Constitution as will be evident from the circumstances considered below. This is highlighted by the manner in which this matter has arisen and has been taken up by this Court in exercise of jurisdiction under Article 184(3) of the Constitution.

4. While it is necessary for the economic well being of the country that the natural resources and mineral wealth of the country be exploited for the public weal, it is, at the same time, necessary that the welfare of the people residing in areas where E&P Companies operate, is not adversely impacted and also that the inhabitants benefit from the economic activity resulting from such operations and from the natural/mineral resources extracted from their local areas. This Court has had an expansive approach when setting the boundaries of the right to life in the celebrated judgement of *Shehla Zia v. Federation of Pakistan* (PLD 1994 SC 693), with later precedents highlighting the continuing expansion of this approach for which reference can be made to the cases titled *General Secretary, West Pakistan Salt Miners Labour Union (CBA) Khewra, Jhelum v. Director, Industries and Mineral Development, Punjab, Lahore* (1994 SCMR 2061) and *Abdul Wahab v. HBL* (2013 SCMR 1383).

5. This matter has its genesis in a simple event organised by the Tando Adam Bar Association (District Sanghar). The oath taking ceremony of the elected Office bearers of the Association took place on 10.4.2013. The Chief Justice of Pakistan was invited as Chief Guest to administer the Oath of Office to such office bearers. Mr. Abdul Hakeem Khoso Advocate, President of the Tando Adam Bar Association, in his speech on the occasion said inter alia, that "our district [Sanghar] has a number of oil and gas fields and the oil exploring companies are acting in violation of law and the terms and conditions of the [petroleum concession] agreements which they executed with the Government of Pakistan whereby they are bound to control environmental pollution, provide jobs and gas facility to the local people ... [and] spend specified amount[s] on the [local] infrastructure such as roads, schools, hospitals and the betterment of local people". A copy of the speech was marked by the Chief Justice to the Human Rights Cell (HRC) of the Court, for a report which was numbered as HRC No.13371-S/2013. Comments were sought by the HRC from the Secretary, Ministry of Petroleum and Natural Resources (MPNR) and OGDCL. The comments were not found satisfactory and it was, therefore, directed that the matter be put up in Court as a petition

under Article 184(3) of the Constitution. Thus the first hearing of the case took place on 19.8.2013. Thereafter, the matter was listed by the Court on various dates of hearing at Islamabad and at Karachi on 19.9.2013 and lastly on 28.10.2013 when judgment in this matter was reserved.

6. It is important to note that the Ministry of Petroleum and Natural Resources through the Director General Petroleum Concessions (DG PC) regulates and oversees the grant of permits, licenses and leases for exploration, development and production, to E&P Companies. Such licenses and leases are in respect of blocks covering specific geographical areas located in various districts. At times exploration blocks straddle the boundaries of administrative districts. The MD OGDCL and DG PC first appeared in Court on 19.8.2013 and 9.9.2013 respectively in response to notices issued to them. Thereafter, a number of persons who became aware of the proceedings filed applications for being impleaded as intervenors in the case. Amongst these applicants were Sardar Abdullah Khan belonging to District Harnai (Balochistan) who sought action against Mari Gas Company, Roshan Ali of Ghotki (Sindh) and Nasir Khan Khattak, Member National Assembly from Karak (KPK). They filed applications against E&P Companies operating within their respective local areas. The primary thrust of these applications was that E&P Companies that were operating within the home districts of the applicants were failing to fulfil their contractually mandated obligations in respect of the welfare and uplift of their areas of operation. The hearings in this case have shown that these complaints are not without substance and that the Federal, Provincial and Local Governments have failed to ensure performance of the obligations of E&P Companies.

7. From the manner in which this case has arisen it is encouraging to note that public-spirited people such as Mr. Abdul Hakeem Khoso Advocate and Mr. Anwer Mehmood Nizamani Ex-President District Bar Association Sanghar had not only taken note of the adverse impact of E&P Companies active within District Sanghar but had taken the important step of bringing the matter to the attention of the Chief Justice at the oath taking in Tando Adam. The significance of Article 184(3) of the Constitution in enforcing the fundamental rights of the people all over Pakistan without the necessity of having a petitioner from each district is evident from the present case. In the ordinary course it would have been extremely difficult logistically and financially for a publicspirited resident of District Sanghar to file and pursue legal recourse in the Civil Courts or in the constitutional Courts. Even if such recourse had been taken it would have remained confined to issues relating to District Sanghar. It is only on account of Article 184(3) of the Constitution and the willingness and ability of the Court

to take notice suo motu that the entire country spread over more than 105 Districts has been brought within the compass of one initiative taken by a Taluka Bar Association and then proactively dealt with by the Human Rights Cell of the Court and then in Court hearings. It should be obvious from the facts of this case that conventional methods of seeking legal redress can be grossly inadequate for people without sufficient means, particularly when they may be pitted against more resourceful individuals and corporate entities. This case sums up the rationale behind Article 184(3) of the Constitution, and the wisdom and foresight of the framers who sought an egalitarian polity by equalising the ordinary citizen with those of greater resources and means, in matters of "public importance with reference to the enforcement of the Fundamental Rights" guaranteed by the Constitution.

8. Before delving into the submissions made before us during these proceedings, it is necessary to lay out the legal regime of the social welfare obligations of E&P Companies. There is a simple calculus underpinning this case which has been the reason why the Court has taken proceedings under Article 184(3) of the Constitution. Simply put, the E&P Companies operating in Pakistan are contractually obliged to make specified payments in lieu of exploration rights and privileges, as will be discussed shortly. According to a report submitted by the DG PC (CMA 6508/2013), over the years these contractual commitments of E&P Companies have amounted to many millions of US Dollars. Furthermore, as per presentation on Welfare Obligations of E&P Companies submitted by the MPNR, the total sum of royalty payable by these Companies in rupees was more than Rs.160 billion in respect of crude oil and more than Rs.293 billion in respect of gas extracted from the various districts in Pakistan in which the E&P Companies are active. These are very substantial amounts considering particularly the inadequacy of funds available to ensure even the very basic needs of the people of Pakistan such as clean drinking water and quality education. These sums, it may be reiterated, are vested beneficially in the People. It is all the more important in this context that enforcement of the contractual commitments of E&P Companies in relation to social welfare obligations etc. are properly monitored and rigorously enforced. Those responsible for ensuring fulfillment of these payment obligations including the DG PC, the Provincial and Local Governments are fiduciaries of the people in this respect and it is their duty to recover the agreed social welfare obligations and to ensure spending of the same in the most efficient and optimal manner for the benefit of the people.

9. Some of these obligations are expressed in monetary terms while others such as employment and training opportunities are specified differently. At this point, a brief overview of the contractual commitment of E&P Companies can be made. As a standard

practice, a Petroleum Concession Agreement (PCA) is entered into between an E&P Company and the Government, through the President of Pakistan. A PCA grants an E&P Company the licence to explore and extract oil, gas and hydrocarbons from a specified area for a specified period of time. A typical PCA contains clauses which ensure the development, capacity building and environmental protection of the area from which the E&P Company extracts oil and gas. It is clear, therefore, that E&P Companies must fulfil the social welfare obligations which they agree to in the PCA they sign with the President of Pakistan. In this respect, it is helpful to reproduce the following clauses of the Exploration Licence for a Petroleum Concession Area, which was placed on record by the learned Additional Attorney-General for Pakistan: " . . . 5) The Licencees shall simultaneously with the grant of the Licence but no later than thirty (30) days thereafter enter into a Concession Agreement with the President (of Pakistan) for the Licence Area... 6) . . . (e) The unskilled persons to be engaged as labour should be taken from the inhabitants of the area particularly where the work has to be carried out with preference to displaced landowners. Rest of the manpower will also be taken from the area if available. Locals of the area will be considered for grant of subcontracts provided their terms are competitive. (u) The forest property will not be damaged and in case damage occurs during any survey, the Licencees shall be responsible for it as per provisions of the Forest Act. (v) The Licencees will not use forest roads without permission. However, where the use of these roads is permitted, the Licencees will be responsible for proper maintenance of such roads. zb. Investment in social welfare schemes and training will be made in accordance with the provisions of the Petroleum Policy, 1997 [now 2012]. The Licencees provide the manpower requirements (Category-wise) during different phases of operation to DG PC for approval. zd. The Licencees will strictly follow the environmental protection and pollution control laws and guidelines as notified by the Government from time to time.

10. The PCA for the aforesaid area reads as under in relation to social welfare obligations. The Working Interest Owners, other than the GOVERNMENT HOLDINGS, shall be required, in consultation with local administration/Provincial Governments and the Ministry, to undertake schemes of Social Welfare such as fight against narcotics, promotion of sports, rehabilitation of the mentally retarded and handicapped children, improvement of educational facilities, drinking water, health, roads, and grant of scholarships for local students and shall spend during the period prior to Commercial Production period not less than twenty thousand US Dollars (US \$20000) per year. After the commencement of Commercial Production in the Area, the following minimum amounts will be spent during each year: Production Rate

(BOE/day) Amount/Year (US Dollars) For all Zones Less than 2000 2000 – 5000 5000 – 10000 10000 – 50000 More than 50000 20000 40000 75000 150000 250000 These amounts will be increased from time to time by mutual agreement of the Working Interest Owner mentioned above and THE PRESIDENT. Subsequent changes in the Petroleum Policy have enhanced these financial obligations. The current policy is that announced in 2012.

11. As noted above, E&P Companies are actively exploring nearly one-third of the land area of Pakistan. In view of the vast numbers of people affected by the issues arising herein, the case was deemed to raise matters of public importance relating directly to their fundamental rights; especially those guaranteed in Articles 9 and 14 of the Constitution. The Court sought replies and a number of reports from the MPNR, OGDCL and the DG PC. The Court also considered the applications submitted by the various parties from Harnai, Ghotki and Karak, to join the proceedings as detailed above. The conclusion arrived at by the Court was that the social welfare obligations imposed on E&P Companies were not being met. To this extent the DG PC acknowledged that the concerned agencies and E&P Companies had taken these obligations casually and also that there was inadequate monitoring and enforcement to ensure that such obligations are fulfilled.

12. The stipulation of social welfare obligations is not limited to the PCAs. The learned Advocate-General Sindh, Mr. Khalid Javed Khan was requested to assist the Court as amicus curiae. He graciously accepted this responsibility and fulfilled it admirably. He also submitted his report wherein it was noted that binding social welfare obligations under the heads of social welfare, employment, training, production bonuses, marine research and royalty arose under successive petroleum policies, with the Petroleum Policy 2012 currently in the field. Furthermore, he submitted that the MPNR has issued separate guidelines for use of social welfare funds, production bonuses and marine research; and that the governments of Sindh and KPK have adopted these guidelines. The two provinces have also issued separate guidelines on production bonuses under the Petroleum Policy 2012. (These financial obligations are, for ease of reference, collectively referred to as the social welfare obligations.)

13. The Petroleum Policy 2012 prescribes different percentages for each use. Ten percent of onshore royalty is to be used “in the district where oil and gas is produced for infrastructure development”. Onshore production bonuses are to be used for “social welfare projects in and around the respective contract areas”. Social welfare funds are to be used “to give lasting benefit to the [local] communities”. Seventy five percent of the marine research and coastal area development fee is to be utilised for “coastal area development”. Employment is for

Pakistani nationals and training includes “internships/scholarships and training of local inhabitants”. It may be mentioned that unlike onshore production bonuses, production bonuses from offshore areas are not specifically required to be spent on the social welfare of local inhabitants. In any event, most of the social welfare obligations contained in successive Petroleum Policies have been reflected in the PCAs.

14. Under the revised Social Welfare Guidelines issued by the DG PC dated 20.04.2009, social welfare schemes involve only the relevant MNA, DCO and the concerned E&P Company. The schemes are prepared by the E&P Company in consultation with the local administration (in the context, just the District Coordination Officer), endorsed by the concerned MNA, executed by the E&P Company in coordination with the DCO, and monitored by the DCO who issues a completion certificate to the E&P company in respect of each social welfare scheme. The E&P Companies are also required to submit annual certificates from their statutory auditors showing that they have complied with social welfare obligations under the PCA and the Guidelines. During the course of hearings in this case it has become evident that either these processes are non-existent on ground or are undertaken without due care and diligence. Certification through auditors is currently not required to ensure proper utilization of funds appropriated towards a scheme. It is relevant that paragraph 6.3 of the Petroleum Policy 2012 authorises the DG PC to take “enforcement action” against any company “non-compliant with the terms of a permit, licence, lease, agreement and/or the Rules”. Enforcement, it appears, is almost non-existent. It is also quite apparent that the Social Welfare Guidelines dated 20.04.2009 are more in the nature of a suggested arrangement and do not create any institution or body within which the MNA, DCO and the E&P Company are formally supposed to perform their responsibilities. Nor do the Guidelines set out procedures for ensuring financial and implementation discipline. From the hearings in this matter, it is our view that enforcement actions need to be taken actively by the DG PC so that social welfare obligations are met in a timely manner.

15. The guidelines for utilization of marine research fee dated 14.04.2009 create a committee called the Petroleum Marine Development Committee (PMDC). The Committee consists of MNAs and MPAs of the area, the DCO, two representatives of the E&P companies, and one representative each of the DG PC, National Institute of Oceanography and Centre of Excellence in Marine Biology (CEMB) of the Karachi University. The Committee is mandated to “approve the projects” and periodically review the implementation of such projects. The DCO is exclusively responsible for collecting and managing due production bonuses directly from E&P companies and execution of the schemes approved by the PSDC.

The projects are required to be executed through third parties who are in turn required to provide completion certificates endorsed by the DCO to the DG PC and E&P Company. Completed schemes are supposed to be handed over to the local government. There are, in our view, certain aspects of these guidelines which may be inadequate for the purpose of ensuring optimum utilization of available funds for the maximum public good.

16. The guidelines for utilization of production bonuses dated 29.10.2009 are similar to the marine research fee guidelines. These guidelines create a Petroleum Social Development Committee (PSDC) consisting of MNAs and MPAs having their constituencies in the District, District and Tehsil/Taluka Nazims, DCO and an E&P Company representative. The PSDC is mandated to "identify, prepare and approve sustainable schemes for the benefit of the Community" and periodically review the implementation of such schemes. The DCO is exclusively responsible for collecting and managing production bonuses directly from E&P companies and for execution of the schemes approved by the PSDC. Furthermore, completed schemes are supposed to be handed over, funded, and managed by the local government. However, there is no obligation under these Guidelines on anyone to evaluate a scheme or to produce any completion certificates as to the implementation (successful or otherwise) of a welfare scheme.

17. The KPK government has issued regulations under the Petroleum Policy 2012 for utilization of onshore production bonuses. The KPK regulations are very similar to the Federal guidelines on the subject, except that the Committee to approve and review the projects replaces district and tehsil nazims with a representative of the concerned [DCO] at the District, Assistant Commissioner of concerned Tehsil and Divisional Monitoring Office (DMO) of Monitoring and Evaluation Directorate, P&D Department. The Government of KPK has also, by way of good governance, issued guidelines dated 24-3-2012 for utilisation of royalties from oil and gas in the source districts. Under these guidelines, specified schemes are meant to be executed, supervised and monitored by a committee consisting of the DCO and MPAs from the district. The schemes also require clearance from all competent forums on the pattern of ADP schemes.

18. It is also worth mentioning that Mr. Hakeem Khoso brought to light a directive issued by the Prime Minister dated 15-9-2003 which stipulated that "[t]he Prime Minister has been pleased to direct that gas be provided to villages falling in the radius of 5-KM from the gas source (Zamzama Gas Field, Tehsil Johi, District Dadu, Sindh). Prime Minister was further pleased to announce that this principle would apply to all gas fields and that gas may be provided to all the surrounding localities/villages falling in the radius of 5 km of all Gas

Field, on priority basis.” (emphasis added). The reply filed by the MPNR on 29.06.2013 stated that the “Prime Minister’s directives [were] pertaining to the villages in the gas producing field Zamzama District Dadu and not for those Blocks which are situated in District Sanghar”. The Ministry’s stance is a clear deviation from the express words of the Prime Minister’s directive as highlighted above.

19. From the foregoing discussion, it is apparent that the district is the basic administrative unit used for determining the entitlement to and the disbursement of social welfare obligations. There seems to be a proliferation of committees with varying memberships under different guidelines. For example, in the case of KPK, different committees and varying administrative regulations have been specified for utilization of royalty, production bonuses, and social welfare obligations, despite the fact that all three of these committees are meant to be District level and are charged with ensuring proper utilization of the funds accruing to the District on account of its petroleum resources. The geographical source and intended use of these various funds require that the same should be administered by the same body, even if these are under separate guidelines issued by separate authorities and through separate bank accounts as per the policy and contractual obligations of the Federal and Provincial governments.

20. We also note that at present there is no central database or map showing which exploration blocks fall within which revenue district and tehsil/taluka and to what extent. The DG PC however, during the hearing informed the Court that the concession blocks had been mapped onto the administrative districts where the blocks straddled district boundaries. This would enable the DG PC and concerned functionaries to determine the area falling within a District and to then ascertain the proportionate amount available for a district from one concession or block. Efficient and smooth allocation and utilization of various welfare funds payable by E&P Companies to the relevant districts require that amounts due to such districts be pre-determined (just as they are in the relevant Petroleum Policy) and are independently verifiable and centrally available. This cannot be done by leaving the E&P Companies and the local inhabitants at the discretion of the DCO alone. The same consideration also applies to utilization of royalties in source districts as per the Petroleum Policy 2012. Moreover, the local inhabitants of relevant districts – the intended beneficiaries of welfare funds – have been allowed no direct participation in proposing new schemes or to object to ongoing or completed schemes. It seems all the more unreasonable that completion certificates of the welfare spending should be issued without inviting their comments. It is therefore necessary that public participation is ensured to receive and address the views of intended beneficiaries

of each ongoing and completed welfare scheme. After all it is these beneficiaries who are the real owners and recipients of the benefits resulting from welfare schemes.

21. Throughout the proceedings, it became clear to us that the current framework for the administration and disbursement of social welfare obligations is inadequate. Therefore, the Court has considered aspects of the utilization of these available funds, where such utilization can be streamlined and optimized, thereby ensuring that transparency and public access to these funds is duly translated into enforcement of the fundamental rights of the People, guaranteed to them, inter alia, by Articles 9 and 14 of the Constitution and the Principles of Policy enunciated in Chapter 2 of Part II of the Constitution. Here it is appropriate to refer to a submission made by Mr. Khalid Javed Khan learned amicus curiae. He, in his capacity as Advocate General Sindh has assisted the Court in the case of toxic effluent entering Manchhar Lake and the bazards connected therewith, resulting in death of marine life, degradation of an ecosystem and harm to the life and health of the local community. The learned amicus curiae pointed out that for efforts to cleanse and detoxify Manchhar Lake, funds are required but are presently unavailable. He submitted that funds generated by social welfare obligations under PCAs could be used for such projects, considering particularly that E&P Companies are active in and around District Dadu where Manchhar Lake is located. This is just one example of the possibilities and potential for utilization of such funds for the uplift of the living standards of the population of a source district and for reducing the environmental depredation in the concerned district. Although the preparation of appropriate guidelines is a policy matter falling within the executive domain, our examination of the present status of collection, expenditure, administration etc. of social welfare funds and the preparation of guidelines shows that this aspect of the matter has not received the requisite attention. The rights of the people in the funds generated on account of social welfare obligations have a direct nexus with the fundamental rights mentioned above. These funds have either remained unutilized or have been under-utilized or the use of these funds has not been adequately monitored to ensure evaluation of spending. As an initial measure, therefore, we direct as under:-

a) The DG PC and the relevant Provincial Government shall ensure diligent collection and monitoring of social welfare obligations of E&P Companies.

b) The DG PC, the relevant Provincial Government and the Local Government within the area of activities of an E&P Company shall ensure optimum utilization of social welfare funds, production bonuses and other sums such as marine research fee, as are generated on account of the contractual obligations of E&P Companies. This shall be done in an open and

transparent manner by ensuring that consistent with Article 19A of the Constitution [Right to Information], the local population has available to it, all relevant information relating to such funds.

c) The Provincial and Local Governments shall review the existing policy guidelines and, where necessary, make suitable amendments to ensure that as far as may be, one Committee be constituted for each district or tehsil/taluka to ensure coordinated and effective use of the aforesaid funds. Keeping in view the provisions of Article 140A, the Local Governments established in each tehsil/taluka be given due representation or a voice on such Committee in line with the said constitutional provision which requires "each Province ... [to] devolve political, administrative and financial responsibility and authority to the elected representatives of the Local Government".

d) Guidelines may be framed by the Federal and Provincial Governments in reasonable detail so that social welfare obligations can be monitored and the expenditure of funds can be examined in an open and transparent manner. The Committee for utilization of funds should;

- i) ensure that the social welfare obligations of E&P Companies are fulfilled;
- ii) proposed schemes receive due publicity and inputs from the final recipients and beneficiaries or their representatives;
- iii) evaluate progress and completion of welfare schemes;
- iv) have public hearings for receiving local level inputs in respect of selection, completion etc. of welfare schemes.

e) Once every sixth months, the DCO shall effect the publication of a notice online and in the most widely-read newspaper in the district, announcing a public hearing to solicit any comments or reservations that the inhabitants of the district in general, and the purported direct beneficiaries of the scheme in particular, may have with regard to the schemes completed, initiated, or ongoing during the preceding six months. A list of all such schemes shall be included in the public notice along with their location, budget and current status.

f) Such notices for public hearings shall be sent to all district level trade organisations, chambers of commerce, Bar Associations and other prominent organisations and social welfare organisations. Notices shall also be sent to the provincial ombudsmen. Such public notices of the public hearings shall also be promptly placed on the website of the district government, if it has one.

g) A report in respect of completed schemes shall be sent to the Federal and Provincial Ombudsmen and to the Human Rights Cell of this Court.

h) The DG PC shall prepare a comprehensive account of the amounts due to each district from the various E&P Companies operating therein under the heads of social welfare obligations, production bonuses, and, if applicable, marine research fee. The estimated figures for royalties due to each district may also be included in this account. A statement of this account shall be made within 45 days and shall be submitted in Court. The account shall be displayed in Urdu, English and regional languages on the website of the MPNR.

i) The DG PC shall solicit half-yearly reports from all licence/lease holders in respect of their social welfare obligations towards the local community, including among other things, the locations, budgets and status of schemes completed, ongoing, or initiated during those six months.

j) The DG PC shall use his enforcement powers under PCAs actively and diligently to seek compliance with the terms of the PCAs.

k) The Ministry of Petroleum and Natural Resources shall, ensure implementation of the Prime Minister's directive of 15.09.2003 and provide gas to "all the surrounding localities/villages falling within the radius of 5km of all Gas Fields, on priority basis" as directed, in accordance with law.

23. The DG PC shall coordinate with the Provincial Chief Secretaries and/or concerned Secretaries with the object of preparing a report in line with the aforesaid directives. The report preferably should contain suggestions/recommendations which are practical and workable keeping in view the objective that the social welfare funds are duly collected and properly spent for the benefit of beneficiaries i.e. the local people in concerned districts. For the purpose of collating information/data in a readily usable form and for analysis of the same, the help of Professor Anjum Nasim, Senior Research Fellow, Institute of Development and Economic Alternatives, an experienced academic, may be sought by the DG PC.

24. The case shall be listed for hearing after 45 days to consider the report of the DG PC and steps taken pursuant to the aforesaid directions and for further orders if appropriate.

Announced on 27.12.2013 at LAHORE.

