CD

The Role of (SECP) as a Regulatory Authority in the Implementation of Corporate Social Responsibility in Pakistan

Supervised By

ABDUAL REHMAN QURESHI

Submitted By

NOREEN AKHTAR

A Dissertation submitted in partial fulfillment of the
Requirements for the degree of LL.M (CORPORATE LAW)
(Faculty of Shariah and Law)
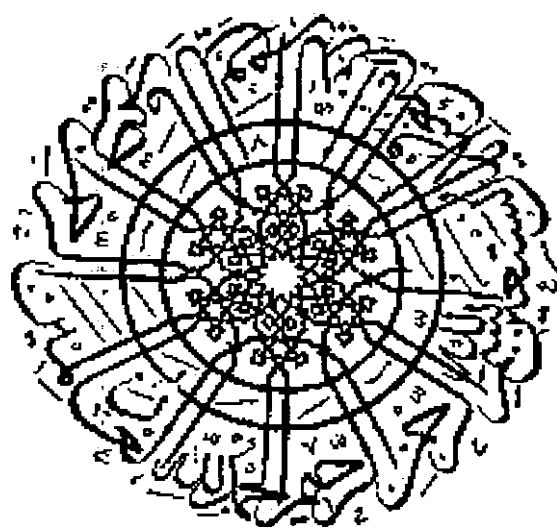The International Islamic University, Islamabad
(2011)

247-FSL/LLMCL/F09

1. Regulatory agencies; Law
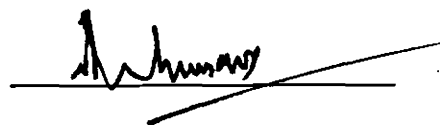
2. Administrative courts

FINAL APPROVAL

It is certified that we have read the dissertation submitted by NOREEN AKHTAR, Registration No 247-FSL/LLMCL/F09 on "The Role of (SECP) as a Regulatory Authority in the Implementation of Corporate Social Responsibility in Pakistan" in Faculty of Shariah & Law. We have evaluated the dissertation and found it up to the requirements in its scope and quality by the International Islamic University for award of LL.M Corporate Law Degree.

VIVA VOCE EXAMINATION COMMITTEE
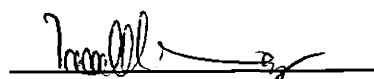
SUPERVISOR:

Mr.ABDUAL REHMAN QURESHI:
Advisor, SECP

INTERNAL EXAMINER:

ASSIST PROF.
ATTAULLAH KHAN MAHMOOD:

EXTERNAL EXAMINER:
Mr. YASER AMAN KHAN:

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.

NOREEN AKHTAR

247-FSL/LLMCL/F09

(DECEMBER, 2011)

DEDICATION

I dedicated this thesis to my precious asset my parents. I have to thank my Parents for their love and support throughout my life. Thank you for all your love, care, guidance and endless support that you have always given me due to which I am capable of doing this work.

ACKNOWLEDGEMENT

- The profound thanks goes to **ALLAH Almighty**, most gracious, most merciful, whom alone we worship and ask for help. I only have been able to complete this thesis because of the special blessing of Almighty Allah, who made and blessed me with the interest, abilities and patience to think, see and compile my knowledge. Without **ALLAH** guidance it was not possible for me to complete this task.

- I am heartily thankful to my supervisor **ABDUAL REHMAN QURESHI.** Who encouraged, guided and supported me from the initial to the final stage of my dissertation and make a better understanding of the subject.

- I am very thankful for the moral support and encouragement of my sister **Dr. Alia Butt** and my brother **Dr. Nasir Butt** for the completion of my work.

- I want to say very special thanks to my friends specially want to mention the names of Saima Butt, Madiha Zia, Saba Akram, Sania Ehsan and Tania Mustafa and all family members who encouraged me throughout my work.

TABLE OF CONTENTS

CHAPTER III
Role of SECP in implementation and Monitoring Corporate Social
Responsibility (CSR) in Pakistan:

CHAPTER IV.
Challenges and Barriers in the Implementation of Corporate Social Responsibility in Pakistan.

CHAPTER v
Recommendations for implementation of corporate social responsibility (CSR) and conclusion.

LIST OF ABBREVIATIONS:

CSRCP.   Corporate social responsibility centre Pakistan.

GRI.   First Global Reporting Initiative.

PTC.   Pakistan Tobacco Company.

PICG.   Pakistan Institution of Corporate Governance.

RBI.   Responsible Business Initiative.

UNDP.   United Nations Development Program.

NGO.   Non – Government organization.

PCP.   Pakistan Centre of Philanthropy.

EFP.   Employer Foundation of Pakistan.

OECD.   Organization for Economic Cooperation and Development.

WTO.   World Trade Organization.

PAF.   Pakistan Alleviation Funds.

NRSP.   National Rural Support Program.

GCFP.   Global Compact Foundation Pakistan.

UNDP.   United Nation Development Programmes.

AKRSP.   Aga Khan Rural Support Programme.

ABSTRACT

This thesis is basically aimed to create awareness in society and corporate sector about the concept of corporate social responsibility (CSR). The main objectives of my study are, firstly to introduce the general concept of corporate social responsibility and its benefits for corporations by which most of them are unaware or having any misconception about that.

Secondly, the thesis is about the implementation of corporate social responsibility strategy in Pakistan and the role of (SECP) as a regulatory authority in its implementation. Thirdly, one of the main objectives of this thesis is to identify the barriers in its implementation with special reference of Pakistan.

To achieve this object First chapter of thesis is related to the concept of corporate social responsibility (CSR) from different aspects historical background of corporate social responsibility (CSR) and Importance of corporate social responsibility in corporate Sector.

Second chapter analysis the status of corporate social responsibility (CSR) in different countries and legal and regulatory frame work for its implementation in these countries. And identify the methods that adopted.

Third chapter is basically related to the implementation of corporate social responsibility in Pakistan and the role of Securities and Exchange Commission of Pakistan (SECP) in its implementation as a regulatory authority and the incentives that should be given by the government to the companies for adopting the corporate social responsibility (CSR).

Chapter four is related to the challenges and barriers in implementation of corporate social responsibility (CSR).

Last chapter is related to the recommendations and conclusion.

CHAPTER: 1

I- INTRODUCTION:-

None of our institutions exists by itself and is an end in itself. Every one is an organ of society and exists for the sake of society. Business is no exception. Free enterprise cannot be justified as being good for business. It can be justified only as being good for society and here comes the concept of Corporate social responsibility (CSR)[1].Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their.[2] "Corporate social responsibility (CSR) is a concept that frequently overlaps with similar approaches such as corporate sustainability, corporate sustainable development corporate responsibility, and corporate citizenship"[3]

As in Asia, corporate social responsibility (CSR) is 'gradually making entry in the private and multinational sector in Pakistan. A large number of companies claim to be engaged in corporate social responsibility (CSR) activities, mainly charitable giving and philanthropy.[4]

In the West corporate social responsibility (CSR) have become a touchstone of corporate trust and a predictor of business Longevity. In Pakistan, CSR is still a buzzword for most of the organizations and individuals. Businesses are in a process of attaining the internationally accepted

---

1"Responsibility of manager towards corporate social responsibility" available on
<http://www.scribe.com/doc/212279194/responsibility -of - manager-towards-corporate-social-responsibility> (Last accessed February 19, 2011).
2"Corporate social responsibility marketing issues in Pakistan" available on
<http://www.scribe.com/doc> (Last accessed November 11, 2010).
3. "Responsibility of manager towards corporate social responsibility" available on
<http://www.scribe.com/doc/212279194/responsibility -of - manager-towards-corporate-social-responsibility> (Last accessed February 19, 2011).
4."Principles to practice: exploring corporate social responsibility in Pakistan" available on
<http://www.interscience.wileg.com/journal> (Last accessed December 22, 2006).

norms of corporate social responsibility often either misunderstanding the true philosophy of corporate social responsibility (CSR) or ignoring it. The multinationals companies in Pakistan are ahead in these activities, due to their international linkages and are actually adopting the standards followed in their head-offices in the developed countries.[5]

Although no law exists anywhere in Pakistan that force companies to engage in CSR activities. However the securities and exchange commission of Pakistan (SECP) which is the law enforcing body for companies listed on stock exchanges of the country, through a Code of Corporate Governance, encourages and rewards companies that undertake CSR activities. The SECP conducts seminars and workshops that highlight the fact that social responsible behavior can have a very impressive and great impact for companies in terms of their reputation, employee morale, competitive edge, productivity and in the larger context, the Benefits of social development do come back to the corporations in terms of bigger, better and richer markets.[6]

In November 2009, the Securities and Exchange Commission of Pakistan (SECP) issued the Companies (Corporate Social Responsibility) General Order, 2009 which set out the disclosures requirements to be made in the annual accounts of companies with regard to corporate social responsibility. Such statements may be made in the director's' report which is a part of the annual accounts.[7].Securities and Exchange Commission of Pakistan (SECP) has made a first contribution by introducing the concept of Code of Corporate Governance. Pakistan itself needs to learn quickly in adapting to the corporate social responsibility (CSR) paradigm.[8]

---

5 *"corporate social responsibility in Pakistan and a strategy for implementation"* available on
<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan> (Last accessed February 10, 2011)
[6] *"Corporate social responsibility marketing issues in Pakistan"* available on<http://www.scribe.com/doc >(Last accessed November 11, 2010).
[7] *"Corporate Social Responsibility General Order"* available on< http://www.one Pakistan.com/news/local/Islamabad/24770-SECP-prmulgates-companies-general order 2009.html>
(Last accessed November 12, 2010).
[8] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on
<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).

1.1 Meaning and Concept of Corporate social Responsibility (CSR):

Giving a universal definition of corporate social Responsibility is bit difficult as there is no common definition of the corporate social responsibility. However, there are few common threads that connect all the perspectives of corporate social responsibility (CSR) with each other; the dedication to serve the society being most important of them. Most ideal definition of corporate social Responsibility (CSR) has been given by World Business Council.

For Sustained Development which says, "Corporate social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development"[9].

"Corporate social responsibility means that a corporation should be held accountable for any of its actions that effect people, their communities, and their environment. It implies that negative business impact on people and society should be acknowledged and corrected if at all possible."[10]

Corporate social responsibility can also be defined under following words:

"Corporate Social Responsibility is achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment"

"Corporate Social Responsibility means addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders"

"Corporate Social Responsibility when well practiced is about sound business practices and good management that Deliver value to businesses and their shareholders, as well as to society at large.

---

[9] *"Corporate social responsibility"* available on< http://www.naukrihub.com/hr-today/csr.html > (Last accessed November 1, 2010).

[10] *James E. Post et al., Business and society corporate strategy, public policy, Ethics* (New York san Francesco, 1975), 58.

This vision of business hardly suggests that profits should take a back seat to other considerations"[11]

The European Commission's definition of Corporate Social Responsibility (CSR):

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"[12]

FOUR- PART DEFINITION OF CSR:

Archie Carroll's defines the corporate social responsibility in four parts.

"The social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time."[13]

This definition includes the four kinds of responsibilities which are economic, legal, and ethical and philanthropy.

1.2 The pyramid of corporate social responsibility:

The pyramid portrays the four components of corporate social responsibility, beginning with the basic building block of economic performance, at the base. Secondly business is expected to obey the law. Thirdly the business's responsibility to be ethical and finally the business is expected to be good corporate citizen.

The Pyramid of CSR:

1.   **Philanthropic responsibilities**

        Be a good corporate citizen.

---

[11] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on <http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).
[12] *"Sustainable and responsible business corporate social responsibility"* available on<http://ec.europa.en/enterprise/policies/sustainable-business/corporate-social-responsibility/index-en.htm> (Last accessed December 15, 2010).
[13] *Archie B. Carroll and Ann K. Buchholtz, Business& society Ethics and stakeholder management (United State of America, 2003)39.*

Contribute resources to the community improve quality of life.

2.   Ethical responsibilities

Be ethical.

Obligation to do what is right, just, and fair avoid harm.

3.   Legal responsibilities

Obey the law.

Law is society's codification of right and wrong. Play by the rules of the game.

4.   Economic responsibilities

Be profitable.

The foundation upon which all others rest.[14]

This pyramid of (CSR) is helpful in understanding the meaning and concept of Corporate Social Responsibility (CSR). "In short, the total social responsibility of business includes the concurrent fulfillment of the firm's economic, legal, ethical and philanthropic responsibilities." In equation form, this might be expressed as follows.

"Economic Responsibility +Legal Responsibility + Ethical Responsibility + Philanthropic Responsibility = Total Corporate social Responsibility".[15]

---

[14] Archie B. Carroll and Ann K. Buchholtz, *Business& society Ethics and stakeholder management* (United State of America, 2003)40.
[15] *Ibid.*

1.3 Historical Evaluation of Corporate Social Responsibility (CSR):

Corporations use natural and human resources from their environment to run their business and generate profits, and they are responsible for the depletion of these resources and the negative impact caused by running of their business to environment and the community around their business. The corporate social responsibility (CSR) concept evolution started with the concerns related to the damage created by business on environment and society at large. Businesses are expected to clean up the mess they have generated to the environment, until **(1980)**'s corporate social responsibility (CSR) was considered same as corporate philanthropy. The current corporate social responsibility (CSR) concepts started formulating in early **80's**. In **1980's and 1990's** examples like Shell spoiling the environment and violating the human rights in Nigeria, started a new wave of criticism which triggered a complete different thinking on corporate social responsibility(CSR) and many corporate social responsibility(CSR) definitions emerged during this period. On the other hand, companies like Nike and GAP Inc were hit by the bad repute of their Suppliers violating labour laws and exploiting poverty and promoting discrimination. When the activist groups and governments felt that current laws governing environment, health, and Safety and consumer protection are weak to handle multinationals, the United Nations took the initial step by providing a code of conduct for such trans-national companies. This step failed due to the lack of support from governments and opposition from different organizations. As a result a voluntary initiative, **World Business Council for Sustainable Development (WBCSD)** was formed in **1991.** This initiative was attacked because critics said that corporate social responsibility (CSR) actions should be mandatory instead of voluntary. In the late 80's Ben & Jerry's ice-cream led in voluntary social auditing, opening up their records and processes for evaluation and inspection. Certification programmes have been emerging since all through the

1990's. Corporate social responsibility (CSR) has continued to evolve rapidly over the last thirty years.[16]

Wealthier business leaders like steelmaker Andrew Carnegie is a good example of to act as a great philanthropist they give much of their wealth to educational and charitable institutions others like automaker Henry Ford, developed paternalistic programs to support the recreational and healthy needs of their employees.[17]

1.4 The evolution from Corporate Social Responsibility (CSR) theory to Corporate Social Responsibility (CSR) practice can be broken down into several phases:

1. Pressure building up against the businesses.

2. Wave of awareness by the society and the

    Stakeholders.

3. Realization of the responsibility by the businesses.

4. Development of Policies and identification of

    Best practices.

5. Implementation of the policies.

6. Development of several programs to implement

    Corporate Social Responsibility (CSR) Performance and Compliance Evaluation.[18]

---

[16] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on
<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).
[17] James E. Post et al., *Business and society corporate strategy, public policy, Ethics* (New York san Francesco, 1975), 59.
[18] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on
<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).

1.5 Importance of corporate social Responsibility:

Corporate social responsibility (CSR) is the responsibility recognized by the companies for acting in socially responsible manner. There is no single universally accepted definition, of corporate social responsibility it has generally come to mean "Business decision making linked to ethical values, legal compliance, and respect for people, community, and environment". Corporate social responsibility (CSR) accepts a company to go further than required by law so as to,

-treat employees fairly and with respect.

- operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, lenders, and others

- respect human rights community and a good corporate citizen.[19]

Corporate social responsibility is the latest buzz word to which increasingly more and more companies are paying attention. The governments are keen that companies take to corporate social responsibility (CSR) route as social welfare is becoming both public and private sector responsibility. Corporate social responsibility (CSR) is becoming an increasingly important component in public affairs program. That's because of a number of reasons but the primary one is

---

19"*The growing importance of CSR*"available on <http://hubpages.com/hub/The -Growing-importance-of-CSR> (Last accessed December 14, 2010).

because of a need to maintain a good reputation and trust among the stakeholders. The government and the political entities will not want to maintain a relationship with or deal with organizations that do not treat their stakeholders, especially employees well. The perceptions of poor corporate social responsibility (CSR) may have their attendant consequences for those organizations that

- do not follow the 'best practices' of their competitors or others in their sector. If others behave better than you then your public affairs activity may suffer.

- Have a poor standing in the community;

- Have been the target of activist groups- are being targeted by the media on a regular basis because of their behavior.[20]

Consumers purchase intention is affected by corporate social responsibility (CSR) initiatives by companies and these initiatives have been argued to be highly successful in establishing deep and meaningful relationships between consumers and companies. But this relationship may not be direct and the company's corporate image plays an integral role in defining this relationship. To understand how corporate social responsibility (CSR) affects this corporate image is also essential in understanding how to use corporate social responsibility (CSR) appropriately and how it affects purchase intention.[21]

Jan Claes General Manager of Coca-Cola Enterprises, Netherland B.V., has noted that the brand that people consider should also represent environmental and social and ethical aspects in addition to professional and responsible company with an outstanding reputation. Every responsible

[20] *Ibid.*
[21] "*A discussion on the importance of corporate social responsibility*" available on< http://enizearticles.com?the importance-of-corporate social- Responsibility &ide=1745703> (Last accessed December 14, 2010).

company which upholds a social responsible manner looks forward to realizing the motivation aspects of employees along with their work, environment and good financial results. They do not wait for government to frame laws or procedures to govern the social responsibility. The companies frame their vision and strategy to bring balance between people as social well being, planet as ecological balance and profit as economic prosperity.[22]

1.5.1 The importance of giving back:

Firstly we should make it clear that corporate social responsibility (CSR) is more than a program. It establishes the basic principles of how a company does business corporate interests aligned with the best interests for the community and the environment. It is commonly called the 3 P's or the triple bottom-line: People, Planet and Profit.[23]

1.5.2 Importance of Corporate social Responsibility For Small Companies:

Small and medium sized companies are also an important factor in ensuring social welfare but unfortunately initiatives related to corporate social responsibility have been mainly focused on multinationals and large companies. Experts believe that corporate social responsibility (CSR) is as important for small companies as it is for large firms. There are limited numbers of case studies that show small enterprises behaving in a socially responsible manner.[24]

1.6 Pioneering Role of the European Commission:The Commission has played a leading role in thought and action on corporate social responsibility (CSR) as it relates to Small

---

[22] *"The importance of corporate social responsibility"* available on <http://www.social responsibility.vinsign.com/the-importance-of-corporate social-responsibility-html>(Last accessed January 2, 2011).
[23] *"CSR: The importance of giving back"* available on< http://www.olinhyde.com/2010/09/csr-the-importance of -giving back> (Last accessed December 15, 2010).
[24] *"Importance* of CSR for small companies" available on< http://ezinearticles.com/?importance-of-CSR-For-Small--Companies&id=3254071> (Last accessed January 6, 2011).

business. It has co-financed a number of projects in this field and has worked with a group of European experts to capture lessons on how best to support and encourage more SMEs to engage in corporate social responsibility (CSR).[25]

1.7 Deriving Forces of Corporate social Responsibility:

As the popularity of the concept of corporate social responsibility (CSR) is growing day by day, it is interesting to investigate the various drivers of its growth. Why are businesses engaging in corporate social responsibility (CSR)? What are their motivations? Where are the demands coming from? Companies are now involving in corporate social responsibility simply to gain with these goals.[26]

1.7.1 Ethical Consumerism: Ethical consumerism is a strategy to encourage sustainability and responsibility in our systems of production and consumption, by making purchase decisions based on social and environmental criteria. This strategy is getting popularity in these days.

1.7.2. New Markets: Not only are these trends increasing demand for socially-responsible, sustainable products, they are also creating whole new markets centered on them.

1.7.3. Socially Responsible Investing (SRI): Consumers aren't the only ones demanding social responsibility. Investors large and small are incorporating ethical criteria when making their investment decisions. By 2007, at least $2.7 trillion in assets was managed using a socially responsible investing (SRI) strategy, an increase of nearly 18% from two years earlier.

---

[25] *Ibid.*

[26] "45 Forces driving corporate social responsibility" available on <http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility> (Last accessed December 17, 2010).

1.7.4. Shareholder Activism: Investors are also bringing their social concerns straight to the boardroom. Shareholder resolutions related to social and environmental issues have steadily increased year-on-year.

1.7.5. Managers' Values: Despite these external drivers, the most important drivers of corporate social responsibility (CSR) at many companies, especially smaller enterprises, are the personal values and attitudes of business leaders and owner-managers.

1.7.6. Lack of Meaning at Work: Some of this activism by managers can be attributed to feeling that their work is unimportant and insignificant. Many managers have been successful in their business roles but have not been rewarded with a meaningful impact on the world. Many are turning to corporate social responsibility (CSR) as a way to add meaning to their everyday work by having a visible positive impact on their workplace, their community, and their world.

1.7.7. Employee Activism: Employees at all levels are suffering from a lack of meaning at work. Even at the lowest levels of many companies, employees are launching their own initiatives targeting social and environmental issues within the context of their company.

1.7.8. CSR & Ethics Education: In response to the growing importance of corporate social responsibility, companies are sending their staff to workshops focused on sustainability, ethical decision making, and other dimensions of corporate social responsibility (CSR).[27]

1.7.9. CSR Reporting Norms: Almost all of the world's largest corporations now report their social and environmental impact. And as more companies report, more are being driven to follow suit. The reporting norm is even spreading to smaller companies.

---

[27] *Ibid.*

1.8 Demographics:

1.8.1. Social Awareness: A large number of the peoples are now acutely aware of the major social and environmental issues that caused very serious problems to our planet. To a large degree, our education systems can be credited for this. Social problems and environmental threats are now covered extensively in most school systems.

1.8.2. Entitlement Generation: young Generation is also helping to drive corporate social responsibility(CSR) forward because, they are demanding jobs which are meaningful, companies that are responsible, work-life balance, and an environment that makes them feel good, respected, and appreciated. Even with youth unemployment between 15 and 20%, many first-time job seekers are declining second-best job offers, instead waiting for companies offering a better experience.[28]

1.9 Diminished Trust In Business:

1.9.1. Financial Crisis: The financial crisis has eroded trust in many industries. 77% of Americans trusted businesses less in 2009 than a year before. 58% trusted companies to do what is right in 2008 versus just 38%, the lowest level in ten years, when asked again in 2009. Companies working to regain public trust will use corporate social responsibility to bolster their image and reputation.

1.9.2.Corporate Ethics Scandals: In the last decade, a number of high-profile corporate scandals, from Enron to AIG to Nortel, have not only eroded corporate trust, but have also encouraged the

---

[28] *Ibid.*

corporations for greater accountability and assurances of corporate responsibility. Perhaps most disturbing, these scandals impact whole industries, not just the parties involved.

1.9.3. Perceptions of Greed: Financial crisis and ethics scandals, while bad in their own right, have created a much direr situation a public perception that many companies and senior business leaders are driven solely by short-term greed. To combat this perception, leaders are doing three things: a) taking action to demonstrate long-term thinking, b) publicly showing generosity, and c) considering the needs of their full range of stakeholders. All three of these things are key components of corporate social responsibility (CSR).[29]

1.10. Supply Chain Demands:

1.10.1. Customer's Behaviour: For a time, business-to-business companies were insulated from the demands of ethical consumers: their corporate clients didn't generally have ethical buying criteria. But all that has changed as customers are now looking deep into a product's entire supply chain when evaluating the company that sells it.

1.10.2. Sustainable Procurement: Ethical consumerism is just one factor driving sustainable procurement. but companies with all sorts of corporate social responsibility (CSR) motivations are incorporating their supply chain into corporate social responsibility (CSR) programs and policies.

1.10.3. Certification Programs: In order for buyers to verify the social and environmental record of their suppliers, many are turning to certification programs that provide independent verification. ISO 14001 was one of the first and most popular of these programs, but many more have been launched since.

---

[29] *Ibid.*

1.10.4. Ethical Labeling Initiatives: Some buyers look to ethical labeling initiatives to provide the information they need to make ethical procurement decisions. Others are driven to purchase ethically because these labels exist on their own products. Ethical labels put information about a product's social and environmental impact directly on the packaging, and this transparency motivates sellers to engage in CSR and ethical sourcing in order to improve these statistics.[30]

1.11. Competitive Advantage:

1.11.1. Waste Reduction & Operational Efficiency: One common myth of corporate social responsibility is that it is costly to implement. But on the contrary, many companies are being driven to engage in responsible business practices out of a desire to save money.

1.11.2. Fluctuations in Energy & Resource Prices: Another reason driving energy and resource conservation is that it helps insulate companies from fluctuations in resource prices, a significant business risk in many industries.

1.11.3. Workforce Engagement & Pride: Employees that share the social, ethical and environmental values of their company are far more likely to be engaged, to be productive, and to stay with the firm. This fact could be appreciated.

1.11.4. Commoditization: As globalization spreads, as market barriers break down, and as technology is spread over the wide area and services sold in many industries are becoming commoditized. That is, they are becoming indistinguishable from supplier to supplier in terms of quality, service, convenience and price. Social and environmental performance has become a new

---

[30] *Ibid.*

way for companies to differentiate themselves from their competitors and command greater market share, especially when the traditional methods of differentiation are infeasible.

1.11.5. Brand Image & Reputation: For some companies, corporate social responsibility is becoming a core component of their overall branding strategy. Given the positive impact that corporate social responsibility (CSR) can have on a firm's reputation.[31]

1.12. Technology & Media:

1.12.1. Affordable Technology: As technology improves, costs for renewable energy and "green" technology will fall, becoming more attractive to buyers from a cost-benefit perspective.

1.12.2. The Internet & Social Media: Once, the internet enhanced the public's access to information - including information about social issues and the social & environmental performance of companies.

1.12.3. Mobile Access to Information: Information once accessible only while sitting in front of a desktop computer can now be at your fingertips wherever you find yourself. Standing in the dairy aisle of the grocery store with just a cell phone, you can scan the bar code of a product and learn about its environmental footprint and the producer's corporate social responsibility (CSR) record.

1.12.4. Crowd sourcing: "Social media" isn't the only thing giving individuals a louder voice. The traditional media is complicit too. Have turned to the public-at-large to provide news reports

---

[31] *Ibid.*

and opinion. Their focus is now less on reporting the facts of a story, and more on reporting public reaction.[32]

1.13. The Environment:

1.13.1. Climate Change: With widespread scientific agreement that human activity is responsible for increasing greenhouse gas concentrations and rising mean surface temperatures, the pressure is on for those responsible to halt the trend. Thus, many consumers are searching for products with smaller environmental footprints.

1.13.2. Resource Depletion: Oil is undoubtedly the most often discussed depleting resource, but other renewable and non-renewable resources are also facing resource depletion as demand grows beyond the capacity of current supplies. These constraints drive up prices and lead progressive companies to seek alternatives and find ways to manage current resource stocks in a more sustainable fashion.

1.13.3. Development and Industrialization: To meet consumer demand domestically and abroad, and to facilitate their own economic development, developing countries like China, India and Brazil are undergoing rapid industrialization. But we already know that our current levels and systems of production and consumption are environmentally unsustainable living. Companies are being pressured to engage in corporate social responsibility (CSR) particularly the innovative aspects of it, in order to realize this change.[33]

---

[32] *Ibid.*
[33] *Ibid.*

1.14. Globalization:

1.14.1. Inequality: Globalization was once touted as a great equalizer - a force that would close the gap between countries rich and poor. To some extent, this has happened. One need only look at Taiwan, Hong Kong, Vietnam and now Mainland China to see how export-oriented growth can indeed bring millions of people out of poverty. But, by and large, the benefits of globalization have accrued disproportionately to multinational companies and their shareholders and the consumers in the "West" that enjoy the low prices of products built overseas. Corporate social responsibility (CSR) is being driven by those that seek to redress this inequality and some specific initiatives, like Fair Trade, target this issue directly.

1.14.2. Heightened Competition: Globalization has also forced domestic companies to compete like never before, often with foreign firms that have different core competencies.

1.14.3. Values Exporting: Domestic companies that also operate in developing nations offer a unique opportunity for those concerned with international development. By persuading these companies to adopt the development cause, they can "export" things that we largely take for granted, like a living wage, occupational health and safety, and freedom from harassment. Individuals and groups inside and outside of these companies are recognizing this opportunity and are pressuring firms to carry out this bidding in order to apply their social values overseas, resources, and strengths.[34]

---

[34] *Ibid.*

1.15. Government & Regulations:

1.15.1. Regulation on Social & Environmental Reporting: In a fairly recent development, some jurisdictions are now pursuing legislation or securities regulation that would force companies to report on social and environmental performance, similar to mandatory financial reporting to shareholders.

1.15.2. Taxes, Penalties & Subsidies: Governments are also using positive and negative financial incentives to encourage more sustainable behavior by both individuals and corporations. Here, governments attempt to reward companies for the positive impact they have on society as a whole, and punish them for negative impacts.

1.15.3. International Treaties: Another important type of government intervention driving corporate social responsibility (CSR) involves national accession to international treaties. Mostly these treaties target specific areas of corporate social responsibility (CSR), such as the UN Declaration of Human Rights, the Convention on the Rights of the Child, the Convention against Corruption, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Convention on Environmental Impact Assessment in a Tran boundary Context, and so on.

1.15.4. Voluntary Regulation & Industry Codes of Conduct: Whether out of attempts to avoid binding government regulation or simply out of a growing consensus that social issues are important, many industries are attempting voluntary regulation. For example, the Electronic Industry Code of Conduct is a set of guidelines on labour practices, health and safety, environmental management, governance and ethics that can be voluntarily adopted by interested companies.

1.15.5. Perceived Government Failure: Through most of the 20th century, social and environmental concerns were considered the domain of government. Now, despite the actions discussed above, many feel that government has failed to properly solve many of these issues.

1.15.6. Global Governance Challenges & Political Conflict: A major area where governments have difficulty is in issues of global governance. These are issues that, like climate change and international trade, involve and affect people and organizations in many different countries.[35]

1.16. Non- Governmental Organization:

1.16.1. NGO Pressure: A major role of the non-governmental organization (NGO) is to raise public awareness of social issues and to pressure those with the power to fix those issues.

1.16.2. Partnership Opportunities: Corporations and NGOs historically had adversarial relationships, precisely because of the pressure corporations felt from NGOs and the fact that many NGOs regarded companies as untrustworthy, unfeeling, capitalist machines. Today, many companies and NGOs are recognizing the benefits of cooperation.

1.16.3. International Standard Setting: Major international standards and methodologies, such as ISO 14001, ISO 26000, the UN Global Compact, the Equator Principles, the GRI Guidelines, the AA1000 Standards, and the SA8000, drive corporate social responsibility (CSR).

1.16.4. Independent Certifiers & Auditors: The emergence of independent certifiers of social and environmental performance, together with public interest in corporate social responsibility (CSR) performance, leads to demands for and expectations of the performance needed to meet

---

[35] *Ibid.*

those standards. Companies attempting to demonstrate their social responsibility to stakeholders will be motivated to improve performance in order to attain the recognition of certifying bodies.[36]

1.17. Deriving Forces of CSR in Asia:

1. The Key deriving forces of corporate social responsibility (CSR) in Asia are:

2. Buyers.

3. Codes of conduct.

4. Certification programs.

5. Monitoring.

6. under pressure from consumer,or doing the right thing.

7. Nationals Laws.

8. Competitive Advantage.

9. Society.[37]

---

[36] *Ibid.*

[37] *"Deriving forces of CSR in Asia"* available on <http:// www. Vientnanforumcsr.net/ default. Aspx?portalid= 5stabid=334sitemid=68> (Last accessed 17, 2010).

Chapter: 2

Critical Analysis of corporate social responsibility in different countries:

2.1 Corporate Social Responsibility in India:

Corporate Social Responsibility (CSR) has become increasingly prominent in the Indian corporate scenario because Organizations have realized that besides growing their businesses it is also vital to build trustworthy and sustainable relationships with the community at large. This is one of the key drivers of Corporate Social Responsibility (CSR) programs. Corporate Social Responsibility(CSR) is not a new concept in India Corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community ever since their inception. Many other organizations have been doing their part for the society through donations and charity events. Today, Corporate Social Responsibility (CSR) in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. [38]

For the Indian company whatever the CSR activities are happening are centered around education, rural upliftment and helping the physically challenged. Some of the CSR initiatives the major IT companies have undertaken are

1) Education for all

2) Community development

3) Children welfare prorgammes.

---

[38] *"Corporate social responsibility in India-putting social – economic development on a fast track"* available on <http://www.chillibreeze.com/articles various/CSR -in -india.asp> (Last accessed December 22, 2010).

4) Volunteering anyone.[39]

2.1.1 History of Corporate Social Responsibility in India:

A latest survey by the Tata Energy Research Institute (TERI) called 'Altered Images: the 2001 State of Corporate Responsibility in India Poll' Traces Back the History of CSR in India and suggests that there are four models of CSR.[40]

1.Ethical model the origin of the first ethical model of corporate responsibility lie in the pioneering efforts of 19 the century corporate philanthropists such as the Cadbury brothers in England and the Tata family in India. The pressure on Indian industrialists to demonstrate their commitment to social development increased during the independence movement.

2. Statist Model of CSR emerged in India after independence in 1947, when India adopted the socialist and mixed economy framework, with a large public sector and state-owned companies. The boundaries between the state and society were clearly defined for the state enterprises. Elements of corporate responsibility, especially those relating to community and worker relationships, were enshrined in labour laws and management principles. This state sponsored corporate philosophy still operates in the numerous public sector companies that have survived the wave of privatization of the early 1990s.

3. Liberal Model Indeed, the worldwide trend towards privatization and deregulation can be said to be underpinned by a third model of corporate responsibility – that companies are solely responsible to their owners. This approach was encapsulated by the American economist Milton

---

[39] *"Corporate social responsibility An overview74"* available on< http://hubpages.com/hub/corporate-social-responsibility-an-overview> (Last accessed December 22, 2010).
[40] *"Corporate social responsibility"* available on<http://www.Insiderrepoters.com/storypage.asp?storyiD=20014487> (Last accessed 24, 2010).

Fried-man, who in 1958 challenged the very notion of corporate responsibility for anything other than the economic bottom line.

4. Stakeholder Model The rise of globalization has brought with it a growing consensus that with increasing economic rights, business also has a growing range of social obligations. Citizen campaigns against irresponsible corporate behavior along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of corporate responsibility.[41]

2.1.2 Corporate Social Responsibility (CSR) in the perspective of rural growth in India:

In around 65% of the State's population is living in rural areas. People in rural areas should have the same quality of life as is enjoyed by people living in sub urban and urban areas Agriculture contributes nearly one-fifth of the gross domestic product in India .In order to increase the growth of agriculture, the Government has planned several programs pertaining to Rural Development in India. Corporate social responsibility is thus considered very important as far as rural areas are concerned.[42]

2.1.3 Voluntary Guidelines for corporate Governance and corporate social Responsibility:
The business sector also needs to take the responsibility of exhibiting socially responsible business practices that ensures the distribution of wealth and well-being of the communities in which the business operates," India's Ministry of corporate Affairs issued Voluntary Guidelines

---

[41] *"Corporate social responsibility"* available on<http://www.Insiderrepoters.com/storypage.asp?storyiD=20014487> (Last accessed 24, 2010).
[42] *"Corporate social responsibility in the perspective of rural growth"* available on <http://www.articlesbase.com/economics-articles/corporate-social-responsibility-in-the-perspective-of-rural-growth> (Last accessed 5, January 2011).

for corporate social responsibility, the intention of which is to encourage Indian corporations to acknowledge the need for observance of corporate social responsibility (CSR).[43]

2.1.4 The guidelines set out six core elements for companies to address:

1. Companies should engage with all stakeholders, including shareholders, employees, customers, suppliers, project affected people, and society at large, to inform them of inherent risks as well as strategies to mitigate them.

2. In order to function in an ethical manner, companies should not engage in business practices that are abusive, unfair, corrupt or anti-competitive.

3. The CSR policies of companies should fully respect the rights of workers in the area of workplace environment, career advancement, and freedom of association.

4. Companies should respect human rights for all and avoid complicity with human rights abuses.

5. Companies should adopt sustainable environmental policies that prevent pollution, recycle, manage and reduce waste, and manage natural resources in a sustainable manner corporate environmental policies should also address the challenges of climate change by adopting cleaner production methods and promoting energy efficiency and environmentally friendly technologies.

6. Finally, companies should undertake activities for economic and social development of communities and geographical areas, particularly in the vicinity of their operations.[44]

2.2 Corporate social Responsibility in United States:

In the United States the idea of corporate social responsibility appeared around the turn of the twentieth century. Corporations at that time came under attack for being too big, too powerful, and guilty of antisocial and anticompetitive practices. Critics tried to curb corporate power through antitrust laws, banking regulations, and consumer- protection laws. Faced with this kind

---

[43] *"Indian Government issues voluntary guidelines for corporate Governance and corporate social responsibility"* available on <http://www.socialfunds. Com/news/articles.cgi?sf Articled=2857> (Last accessed January 10, 2011).
[44] *Ibid.*

of social protest, a few farsighted business executives advised corporations to use their power and influence voluntary for broad social purposes rather than for profit alone. Some of the wealthier business leaders – steelmaker Andrew Carnegie is a good example became great philanthropists who gave much of their wealth to educational and charitable institutions.[45]

2.2.1 Corporate Social Responsibility Legislation in U.S.A.

Section 406 of the Sarbanes Oxley Act which came into effect in July 2002, requires companies to disclose a written code of ethics adopted by their chief executive, chief financial officer and chief accountant.[46]

2.2.2 Corporate social Responsibility Reporting in United States:

As Corporate Social Responsibility (CSR) reporting is unregulated in United States a required framework for reporting does not currently exist. As a result many different types and names of reports exists under the umbrella of Corporate Social Responsibility (CSR) reporting such as environmental reports, social reports, climate change reports, carbon reports, triple bottom line reports and sustainability reports among others. The United States appears to lag behind others countries in issuing Corporate Social Responsibility (CSR) reports. This may be attributed to the lack of formal requirements in the United States for organization to disclose nonfinancial data or issue CSR reports. Presently environment reporting is mandatory for public corporation in Sweden, Norway, the Netherland, Denmark, France and Australia. In 2005 90% of Japanese companies and 71% of U.K companies participated in Corporate Social Responsibility (CSR) reporting compared to only 32% of U.S.A companies. Despite the lack of regulations in the

---

[45] James E. Post et al., *Business and society corporate strategy, public policy, Ethics* (New York san Francesco, 1975), 59.
[46] *"Global corporate social responsibility disclosure legislation"* available on<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf > (Last accessed January 15, 2011).

United States requiring companies to disclose, increasingly more and more companies are issuing CSR for a variety of reasons.[47]

2.2.3 There are three main theories for increasing this trend:

Signaling theory:

To manage the perceptions of key stakeholders.

Impression management theory:

To convey the organization's values to the public.

Legitimacy theory:

To establish that the organization activities are in line with social norms.[48]

2.3 Corporate Social Responsibility (CSR) in the United Kingdom:

The concept of corporate social responsibility in the United Kingdom originates in the ethical approach to business of a number of prominent firms. Which ran their business in an ethical manner, in particular looking to the welfare of their employees. This philanthropic approach laid the foundations for the situation today where the need for companies to manage in responsible manner across the various sectors of their activity is generally, if not universally understood.[49]

---

[47] *"Corporate social responsibility reporting in the United States"* available on <http://commons.emich.edu/mchair/vol1/iss1/6 > (Last accessed 12, 2011).
[48] *Ibid*
[49] *"A Guide to CSR in Europe"* available on < http://www.csreurope.org/20091012-a-guide-to-csr-in-europe-final.pdf> (Last accessed January 15, 2011).

In the United Kingdom the two case studies cover enterprises in the iron and steel and marketing sectors. The case studies reveal that the overall picture in the UK is one of restricted development of CSR to date, but there are signs of recent activity in this area. Issues of social responsibility at the steel manufacturing company Corus are mainly concerned with the environment, educational projects, such as producing curriculum support materials in schools, and the health and safety of its workforce.[50]

2.3.1 Corporate social responsibility disclosure legislation:

In **1999** parliament approved the pension disclosure regulation requiring all trustees of U.K.occupational pension funds to disclose. The extend to which social, environmental or ethical considerations are taken into consideration in the selection, retention and realization of investment. The government is now in the final stages of modernizing company law which will require companies to include social, environmental and ethical matters in their annual reports where it is in the interest of existing shareholders.[51]

2.3.2 Corporate social Responsibility policies in United Kingdom:

Since the deregulation of the finance industry and the privatization of public utilities in the early 1980&, business has not tended to look to the government to set the framework for responsible business practice beyond existing legal requirements. However the government has appointed a Minister of Corporate Social Responsibility (CSR) and his role is to provide guidance and to support best practice. The expectations are therefore on business to lead and to engage in best practice. This is the same for the locally owned companies as well as for foreign owned

---

[50] *"Corporate social responsibility in France,* Germany, Hungary and the United kingdom" available on <http://www.enrofound.europa- eu/emcc/content/source/eu03002a.htm.> (Last accessed January 16, 2011).
[51] *"Global corporate social responsibility disclosure legislation"* available on<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf> (Last accessed January 15, 2011).

companies indeed many overseas 'companies have demonstrated excellent practice across the key areas of practice and achieved significant U.K. awards.[52]

2.3.3   Main CSR actors in U.K.

1. Business in the community.

2. Lead international.

3. Accountability.

4. Ethical Corporation.

5. London Benchmarking Group.

6. Corporate citizenship.[53]

2.3.4 Public awareness about CSR:

The U.K. public is becoming more aware of the concept of the concept of Corporate Social Responsibility (CSR) as companies are marketing their ethical business programmes more effectively. There has also been an increase of consumer awareness in recent years as companies are becoming more accountable for their business practices. As research in 2005, according to that research 78% of the general public wants to hear about companies' responsibility to their customers, employees, communities and the environment. [54]

2.4 Corporate social Responsibility in France:

In France the four case studies cover enterprises in the electric cables, iron and steel manufacturing, financial services and automotive sectors. The case studies reveal that the overall picture in France is one of moderate development of Corporate Social Responsibility (CSR) due to the presence of a system of state regulations and agreements governing labour relations. There

---

[52] *"A Guide to CSR in Europe"* available on <http://www.csreurope.org/20091012-a-guide-to-csr-in-europe-final.pdf> (Last accessed January 15, 2011).
[53] *Ibid.*
[54] *Ibid.*

is, however, evidence of initiatives going beyond legal requirements in some areas. Issues of social responsibility at the four enterprises examined relate mainly to the restructuring and subcontracting activities that resulted in company redundancies following a period of economic crisis.[55]

2.4.1 Corporate social responsibility Policy and Legislation in France:

Laws regulating nonfinancial data in Private bodies in France as early as 1977 with the

Social Assessment Law:

This required listed companies to report on asset of social data.

The New Economic Regulations law: This passed in 2001, through Articles 116, makes reporting on social and environmental impact mandatory for listed companies.[56]

2.4.2 In 2001 France enact three laws on CSR:

In February managers of employee savings funds were required to conside social, environmental or ethical considerations when buying and selling shares. In May, New Economic Regulations Law and In July a 16 billion _euro public pension reserve fund which has take social environmental and ethical considerations into account.[57]

---

[55] *"Corporate social responsibility in France, Germany, Hungary and the United kingdom"* available on <http://www.enrofound.europa- eu/emcc/content/source/eu03002a.htm > (Last accessed January 16, 2011).
[56] "A Guide to CSR in Europe" available on < http://www.csreurope.org/20091012-a-guide-to-csr-in-europe-final.pdf> (Last accessed January 15, 2011).
[57] *"Global corporate social responsibility disclosure legislation"* available on<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf > (Last accessed January 15, 2011).

2.4.3 Corporate Social Responsibility drivers in France:

The emergency of Corporate Social Responsibility (CSR) in France is the result of the consequences of globalization and the influence of foreign corporations as well as the successful development of French socially responsible investment market.[58]

2.4.4 France Global Telecommunications provider orange:

Global telecommunications provider, Orange France (Telecom), has released its corporate sustainability report for 2008. The company uses three words to define its corporate social responsibility policy: include, care and preserve. According to the report, Orange aims to be the leader for corporate social responsibility amongst telecommunications companies by the year 2012.[59]

2.5 Corporate social Responsibility in Denmark:

In 1994, the term 'Social Responsible Corporation' was used for the first time in Denmark by the Minister of Public Affairs, Karen Jespersen. She published an article that presented her main ideas about the promotion of socially responsible corporations and at the same time began the campaign 'Our Common Concern' which for many years affected several European countries. Karen Jespersen believed that the positive outcome of CSR practices would be a stable and functional society in the labour market and product and services market. The campaign 'Our

---

[58] *"A Guide to CSR in Europe"* available on < http://www.csreurope.org/20091012-a-guide-to-csr-in-europe-final.pdf> (Last accessed January 15, 2011).
[59] *"corporate social responsibility and orange"* available on
< http://www.suite101.com/content/corporate-social-responilbity-and-orange-a128395> (Last accessed January 15, 2011).

Common Concern' was with regard to defining the meaning of prosperity for a society and the basic principles that encompass it in order to promote Corporate Social Responsibility (CSR).[60]

2.5.1 Monitoring Corporate Social Responsibility (CSR) in Denmark:

The Danish National Institute of Social Research, the level of corporate social responsibility (CSR) in Denmark is gradually improving. However, the report reveals significant divergences in the assessments of workers and employers. During the period 1997 to 2006, **the Danish National Institution of Social research** is carrying out a study each year, to monitor developments in the social responsibility of companies. The work is financed by the Danish Ministry of Employment within the context of overall efforts to prevent exclusion from the labour market by encouraging corporate social responsibility.[61]

2.5.2 Law on Corporate Social Responsibility (CSR) Reporting in Denmark:

Danish parliament passed a law that makes it mandatory for the 1100 biggest companies in Denmark, listed companies, state owned companies and institutional investors to report on their work with Corporate Social Responsibility (CSR). However, it is still up to the company to decide if or how they want to work with Corporate Social Responsibility (CSR).[62]

Mandatory corporate social responsibility (CSR) reporting will become a reality for large firms operating in Denmark from next year, after the Danish government last month passed legislation

---

[60] *"Corporate social responsibility in Europe: Denmark, Hungary and Greece"* available on
<http://www.informaworld.com/smpp/section?content=a920088776& fullext=71324092 > (Last accessed February 13, 2011).
[61] "Monitoring social responsibility in Europe: Denmark, Hungary and Greece" available on
<http://www.enrofound.enropa.en/ewco/2005/02/0k0502/ Nu03.htm > (Last accessed February 12, 2011).
[62] *"Press release: Law on CSR reporting"* available on <http://www.csrgov.dk/sw51377.asp> (Last accessed January 13, 2011).

requiring 1,100 of the country's largest listed firms to include updates on CSR performance in their annual reports.[63]

After the Amendment in **Danish Financial statement Act** the companies in Denmark must include the following three dimensions in their annual report.

1. Corporate Social Responsibility.

2. How these policies translated into actions?

3. What the business has achieved as a result of working with Corporate Social Responsibility (CSR) and expectations for the future? [64]

2.5.3 The Danish Chamber of Commerce:

The core business organization and employers' association for forward-thinking business. The Chamber currently represents 20.000 companies and 100 trade associations from the commerce, leisure, transport, and knowledge industry and service sectors. Our mission is to support companies by creating a more attractive environment in which to run a business and to help safeguard corporate interests within areas such as national business and employment regulations, the EU framework and global trade.

It can assist its members in matters relating to:

- legislator frameworks such as commercial legislation, business and educational policies;

- foreign trade, global networks, business development, innovation and technology;

---

[63] *"Business Green: Denmark latest to pass csr reporting law"* available on< http://www.business green.com/bg/new/1801774/Denmark-pass-csr-reporting-law >(Last accessed 14, February 2011)
[64] *"Corporate social responsibility and reporting in Denmark impact of the legal requirements for reporting on CSR in the Danish Financial statement Act"* available on< http://www.documents and settings/ Admin/local settings/ temporary internet files/ content. IES/F6NowTD/CSR and reporting-in> (Last accessed February 12, 2011).

- Issues regarding the environment and corporate social responsibility nationally and in global value chains.[65]

2.6 Corporate Social Responsibility in Europe:

In Europe, the idea of Corporate Social Responsibility (CSR) was first mentioned in 1993 by the President of European Commission, Delors. Delors made an appeal to all European companies to combat social exclusion. Later in 2000, at the European Council in Lisbon, the concept of Corporate Social Responsibility(CSR) was strongly associated with the European goal, to become the most competitive and dynamic knowledge-based economy in the world.[66]

2.6.1 Corporate social responsibility officially defined in Europe:

The concept of Corporate Social Responsibility (CSR) was officially introduced in the EU through the July 2002 Green paper which defined Corporate Social Responsibility (CSR) as "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."[67]

2.6.2 Development of Corporate Social Responsibility (CSR) in Europe:

The development of Corporate Social Responsibility(CSR) in Europe has been driven both by proactive strategies adopted by pioneering business and by European institutions and national governments as well as by external pressure from others stakeholders. In Europe as well as in others parts of the world the Corporate Social Responsibility (CSR) movement has traditionally been led by large companies.[68]

---

[65] *"Danish chamber of commerce"* available on< http://www. Danish exports.dk/scripts/Danish exports/ Eo-hts/asp> (Last accessed February 12, 2011).
[66] *Ibid.*
[67] *"CSR legislation in France and the European regulatory paradox: an analysis of EU CSR Policy and sustainable reporting practice"* available on<http://www.easbis.org/upload/meda/dlbard-CSR-legislation.pdf > (Last accessed February 9, 2011).
[68] *"A Guide to CSR in Europe"* available on < http://www.csreurope.org/20091012-a-guide-to-csr-in-europe-final.pdf> (Last accessed January 15, 2011).

2.6.3 Corporate Social Responsibility (CSR) Europe:

Corporate Social Responsibility (CSR) Europe is the leading European business network for corporate social responsibility with around 70 multinational corporations and 27 national partner organizations as members. Corporate Social Responsibility (CSR) Europe is a platform for:

- Connecting companies to share and develop best practice on Corporate Social Responsibility (CSR).

- Innovating collaborative projects between companies and stakeholders.

- Shaping business and policy dialogue on sustainability and competitiveness.[69]

2.6.4 The importance attached to Corporate Social Responsibility (CSR) is reflected in the many related instruments and meetings.

1. In March 2000, the Lisbon European Council appealed to companies' sense of social responsibility.

2. In 2001, the Commission published a Green paper promoting a European framework for Corporate Social Responsibility (CSR).

3. In 2002, a communication proposed a community strategy promoting Corporate Social Responsibility (CSR).

4. The European Parliament made valuable contributions to the debate in its resolutions of 2002.

---

[69] *"CSR in Europe"* available on < http://www.csreurop.org/pages/en/about-us.html> (Last accessed February 9, 2011).

5. An opinion of the European Parliament is in the process of being adopted; the **European Economic and Social Committee** (EESC) has adopted several opinions on Corporate Social Responsibility (CSR). An opinion was adopted in December 2006.

6. The European Multistakeholder Forum on Corporate Social Responsibility (CSR) was set up in 2002 and submitted its final report in 2004.

7. The Commission convened the Forum two years later, on 7 December 2006, including the Member States and academic institutions.[70]

8. The Lisbon Strategy's new partnership for growth and jobs invited businesses to step up their commitment to Corporate Social Responsibility (CSR), including cooperation with other stakeholders.

9. In the social agenda the Commission announced that it would improve the transparency of CSR.

10. In its contribution to the Spring European Council of March 2005, the Commission recognized that Corporate Social Responsibility (CSR) could contribute to sustainable development while enhancing Europe's innovative potential and competitiveness.

11. In the Integrated Guidelines for Growth and jobs the Council recommended that Member States should encourage enterprises to develop their CSR.

---

[70] *"Promoting corporate social responsibility"* available on
<http://europa.eu/legislation_summaries/external_trade/c00019_en.htm> (Last accessed February 12, 2011).

12. The informal Hampton Court meeting in October 2005 proposed innovative solutions to the challenges posed by globalization.

13. The revised sustainable development strategy called on businesses, which it regarded as key partner to reflect on the medium- and long-term policies needed for sustainability. 14. The Commission's 2006 Annual Progress Report on Growth and Jobs identified the promotion of entrepreneurial culture as a priority for Europe.[71]

2.6.5 Public Policy on Corporate Social Responsibility (CSR), the Role of Governments in Europe.

Elements which emerge from the analysis of Corporate Social Responsibility (CSR) and Government:

1. The voluntary nature of the company'& initiative.

2. The emerging new roles and soft tools.

3. Multi- Stakeholder dialogue and new governance challenges.[72]

---

[71] *Ibid.*

[72] *"Public policies on corporate social responsibility: The role of Government in Europe"* available on <http:www.springerlink.com/content/66/12 v 7r4r48pl3/fulletext.pdf> (Last accessed February 9, 2011).

CHAPTER: 3.

Role of SECP in Implementation and Monitoring CSR in Pakistan:

A large number of companies have appeared in the world of market. Concentration of corporations in the new dimensions is the basic factor of their success. As compared to the previous years, corporations have acquired more awareness regarding their social responsibilities. Now companies not only focus on the needs of their customers but also the needs of society and environment. Corporate social responsibility (CSR) popularity is growing day by day, as more and more companies around the world are paying intention towards the sustainability of environment and resources. Companies now have come to realize that their future is successful if companies protect the future of environment and society to which they belong and in which they exist.[73]

3.1 Corporate social responsibility in Pakistan:

When it comes to corporate social responsibility, companies in Pakistan do not appear to make efforts for something extra-ordinary regarding this matter. A lot of companies are giving donations and charity, but most of them have restricted themselves to philanthropic activities only.[74]

Corporate social responsibility (CSR) in Pakistan has been the subject of several conferences and the focus of recurring media attention. Coverage of corporate social responsibility (CSR) activities plays an important role in all annual reports published by listed companies. However, due to the desolate economic situation, companies are focusing on the national economy and small and mid-sized businesses generally avoid anything that could increase cost pressure.

---

[73] *"Corporate social responsibility"* available on <http://www.chowrangi.com/corporate-social-responsibility.html> (Last accessed February 16, 2011).

[74] *"Lack of corporate social responsibility in Pakistan"* available on<http://www.Pakpositive.com/Pakistanibloggers/lack-of-corporate-social-responsibility-in-Pakistan-731-html> (Last accessed January 16, 2011).

Besides the majority of the population is lacking awareness of corporate social responsibility (CSR).[75]

Most responsible organizations and businesses in Pakistan are making cash and in-kind donations for humanitarian and religious reasons. About 60 per cent of Public Listed Companies (PLCs) make some sort of contributions to charitable or social development initiatives. Humanitarian and faith-based donations mostly go to social sectors such as education and health. Some of the major factors determining philanthropy could include tax benefits, marketing advantages and better public relations. Despite the developing state of its economy, philanthropy is common in Pakistan.[76]

3.2 Companies involve in Corporate Social Responsibility (CSR) in Pakistan:

There are many domestic and multinational companies which are involved in corporate social responsibility (CSR) in Pakistan.

3.2.1 Domestic companies:-Engro Corporation Limited: Engro has been ranked Pakistan's leading company for Corporate Social Responsibility (CSR), in the first Asian Sustainability Rating (ASR). Engro also achieved the distinction of being the only Pakistani company included in ASR's top 50 Asian companies.[77]

---

[75] *"The role of CSR"* available on<http://www.csr.weltweit.de/en/laenderprofile/index.nc.html> (Last accessed on January 16, 2011).

[76] *"CSR in Pakistan"* available on<http://www.csrpakistan.pk/csr-in-pakistan.html> (Last accessed on March 18, 2011).

[77] *"Engro corp"* available on< http://www.engro.com/2010/03/01/engro-corp-ranked-pakistan%80%qqs-leading-csr.company-2> (Last accessed January 16, 2011).

KSB Pumps Company Limited Pakistan: Corporate social responsibility (CSR) as the link that joins the Organization, including internal and external stakeholders to a brighter future of Pakistan is operating under the name of KSB Care; corporate social responsibility (CSR) program is focused to provide a sustainable infrastructure and basic facilities to underprivileged students at schools in the rural areas of Pakistan.[78]

Pakistan Tobacco Company:

Pakistan Tobacco Company (PTC) is one of the oldest companies is operating in the subcontinent since 1905. It is a subsidiary of British American Tobacco. The Pakistan Tobacco company (PTC) starts working in Pakistan since 1947 and now its presence may be seen in 180 countries around the world. Pakistan Tobacco Company (PTC) is contributing to Corporate Social Responsibility (CSR) in the farming community by supplying pure drinking water, education and good health facilities.[79]

Fauji Foundation:

The Fauji Foundation spends RS. 23.8 Billion In various community development activities, 80% of their associated profit from various business activities goes for 7%community in Pakistan.[80]

Hinopak motors:

Hinopak describe its corporate social responsibility (CSR) activities and fix 1% of its profit for various social responsibilities.[81]

---

[78] *"KSB pumps Pakistan"* available on< http://www.ksb.com.pk/corporate.htm> (Last accessed on January16, 2011).
[79] *"Pak Tobacco company"* available on<http://www.ptc.com.pk/group/sites/pak-7shbxn.nsf/vwpages weblive/dott5lsk?opendocuments skn=1>(Last accessed March 17, 2011).
[80] *"Corporate social responsibility theory and practice in Pakistan"* available on<http://www.stud.epsilan.slu.se/2096/> (Last accessed March 17, 2011).
[81] *Ibid.*

PIA and corporate social responsibility:

PIA has institutionalized the practice of good governance by establishing a corporate social responsibility Committee. The "Committee provides a platform to evaluate, update, and recommend best practices as PIA continues on its mission to adhere to business ethics and stamp out corruption. Corporate social responsibility (CSR) is woven into the fabric of daily operations at PIA.

PIA performed the following activities:

1. Social services.

2. Boys scouts association.

3. PIA planetariums.

4. PIA Horticulture.

5. Support for nonprofit organizations.

6. Training and education.

7. PIA model secondary school.

8. PIA industrial training institution.

9. Medical services.

10. Corporate safety & quality assurance.[82]

3.2.2 Multinational companies:

There are many multinational companies working in many disciplines all around the world. These companies are not only providing goods and services but also controlling the economic situation of many countries. In Pakistan there are different multinational Companies are working.[83]

---

[82] *"PIA corporate social responsibility"* available on<http://www.piac.com.pk/pia-about-CSResp.asp> (Last accessed March 3, 2011).

Barclays Bank:

Barclays Bank started its commercial activities in 2008 in Pakistan and initiated corporate social responsibility (CSR) projects and made partnership with UNICEF for improving the poor life standard in Pakistan. Barclays Bank has adopted a comprehensive sustainability strategy in Pakistan.

According to Mohsin Nathani MD and country head of Barclays Pakistan,

"Investing in the community is an important part of Barclay's sustainability strategy. We believe our business will benefit from contributing to the development and sustainability of the communities we operate in"[84]

Shell Group:

Shell Pakistan Limited has donated medicines, food parcels, blankets, kitchen sets, tents and other necessary items to the victims of floods in the Khyber Paktunkhwa (KP) and Sindh. The donation was made through the Pakistan Red Crescent Society (PRCS). It was estimated that over 100,000 persons were affected due to the floods in (KP) alone. Maj. Gen. (R) Mohammad Bashir Khan, Chairman of the Pakistan Red Crescent Society (PRCS) appreciated the efforts of Shell Pakistan.[85]

Tetra Pak:

Tetra Pak Pakistan has made a firm commitment for the welfare of the society of Pakistan. For the protection of environment and health the company has supported causes, highlighted issues and created awareness where it was lacking, and provided practical solutions where it was

---

[83]"*corporate social responsibility theory and practice in Pakistan*" available on<http://www.stud.epsilan.slu.se/2096/>(Last accessed March 17,2011

[84] *Ibid.*

[85] "*Corporate social responsibility in Asia*" available on<http://www.csr-asia.com/index.php?page=3scat=24> (Last accessed May 3, 2011).

required. Tetra Pak has undertaken corporate social responsibility initiatives with NGOs, media, charities, academic institutes and others throughout its existence in Pakistan.[86]

Tetra continuously contributed to socially and economically sustainable development in Pakistan by helping to improve access to healthy and safely-packaged foods, providing skills and competence to the people of Pakistan, actively participating in creating health awareness amongst women, encouraging the media to take up environmental issues, setting up long-term projects with governmental and non-governmental organizations, and providing jobs.[87]

EBM, Nestle, Unilever and Rose petal:

In Pakistan companies like English biscuits manufacturer (EBM), Nestle Unilever have also realized their social responsibility towards the society. Nestle Pakistan Ltd has a unique corporate social responsibility (CSR) profile which is inbuilt into its business structure their concept is to integrate rural development with market mechanism. If we look at English biscuits manufacturers (EBM), their cultural characteristic is of a "Caring corporate Citizen" which is giving back to community as a responsibility and obligation of a good management. English biscuits manufacturers (EBM) proved itself as a responsible company by helping immediately to the victims of earth quake and providing them not only funds but free of cost biscuits. Unilever is also actively participating for the betterment of society. Rose Petal is donating a proportion of their sales proceeds for the welfare of society.[88]

---

[86] *"Tetra corporate social responsibility in Pakistan"* available on<http://www.phonebook.com.pk/dynamic/companydetail.aspx.comp-id 89342> (Last accessed May 5, 2011).

[87] *"Contributing to our community"* available on<http://www.tetrapk.com/pk/about-tetra-pak/our-social-responsibility/csr/pages/default.aspx> (Last accessed May 5, 2011).

[88] *"CSR is flourishing from non-existence to real existence"* available on<http://answers.yahoo.com/question/index?quid=20100803055652 AACJUD > (Last accessed May 5, 2011).

3.3 Summary of the Findings on Corporate Social Responsibility (CSR) in Pakistan:

Company	CSR Concept	Motivation for CSR
Barclays Bank:	"Development and sustainability of the Community we operate in"	(supporting the community)
Shell Group:	"Contributing to social development by social and long term Interests integrating social consideration into our decision making"	(social welfare)
Hino Pak Motors:	"We are committed through numerous initiatives in the form As well as environmental care and protection".	(Giving back To Society)
Pakistan Tobacco Company:	"Our Unique philosophy and initiatives towards Improving the lives of people we interact with a testament To this belief and continuing support of our communities"	(supporting the community)
Fauji Foundation:	"Doing responsible business believe in fulfilling moral Commitment to the communities interact with"	(supporting the Community)
Tetra pack:	"Committed to operate in an ethically responsible way abide By laws to protect and improve local environment for future Generations" [89]	(Giving back to society)

3.4 Corporate Social Responsibility (CSR) Pakistan year book 2009:

"CSR Pakistan Year Book 2009" explains the concept and origin of corporate social responsibility (CSR) its evolution and practice in South Asia, and its gradual growth in Pakistan. The corporate whose corporate social responsibility(CSR) programmes have been covered in "CSR Pakistan Year Book 2009" include: HinoPak Motors, Shell Pakistan, ICI Pakistan,

[89] *"Corporate social responsibility theory and practice in Pakistan"* available on<http://www.stud.epsilan.slu.se/2096/> (Last accessed March 17, 2011).

Proctor & Gamble Pakistan, Unilever Pakistan, Barclays Bank, Tetra Pak, Indus Motors Limited, English Biscuit Manufacturers (EBM), Fauji Foundation, Business Support Fund of the Asian Development Bank, Sui Southern Gas Company (SSGC) and Mobilink.[90]

3.5 Corporate social responsibility in Pakistan and role of Securities and Exchange Commission of Pakistan (SECP):

The Securities and Exchange Commission of Pakistan (SEC) is committed to improving transparency and accountability in the corporate sector of Pakistan. Supporting the Code of Corporate Governance, corporate social responsibility (CSR) would help to strengthen accountability of corporations to their stakeholders. As a first step towards achieving its goals the security and exchange commission of Pakistan (SECP) in coordination with united nation development programme (UNDP) is conducting a study on state of corporate social responsibility (CSR) and develop a strategy for effective implementation of corporate social responsibility (CSR) practices in Pakistan.

The study focus on the following matters:

1)The need for CSR in Pakistan 2) CSR approaches being presently practiced in Pakistan 3) Factors driving social responsibility, like reputation enhancement, brand loyalty, etc. 4) Barriers to implementation of CSR 5) WTO requirements 6) Assessment of potential threats and opportunities 7) How policy or regulatory measures would create a supportive environment for CSR in Pakistan 8) Output targets that companies/industries can set to undertake and report on

---

[90] *"Corporate social responsibility in Pakistan"* available on< http://www.csrpakistan.pk> (Last accessed May 9, 2011).

socially responsible practices 9) To identify best practices.   10) Strategy for effective implementation of CSR practices.[91]

3.5.1 Securities and Exchange commission of Pakistan (SECP) seminar on corporate social Responsibility (CSR):

The Securities and Exchange Commission of Pakistan (SECP) held its second consultative seminar on "National corporate social responsibility Strategy" The purpose of the seminar was to discuss the findings of a study on corporate social responsibility (CSR) in Pakistan. The study titled **"Evaluation of the State of corporate social responsibility in Pakistan and a Strategy for Implementation"** was conducted as the first step in helping to evaluate the state of corporate social responsibility (CSR) in Pakistani corporate sector.[92]

The seminar was attended by representatives from corporate entities like Proctor and Gamble Pakistan, Engro Chemicals Ltd., Indus Motors, Shell Pakistan, Pakistan Centre for Philanthropy, major banks and others. The participants gave their precious comments about the need of corporate social responsibility (CSR) activities in the country.[93]

3.5.2 State of corporate social responsibility in Pakistan: Research Study by RBI, SECP & UNDP:

RBI –Asia pacific corporate social responsibility (CSR) Center in collaboration with (SECP) and (UNDP) took the initiative to judge the state of corporate social responsibility (CSR) in Pakistan.

[91] *"National consultant"* available on<http://undp.brightspyre.com/opening/detailjob.php? Jid=434> (Last accessed May 13, 2011).
[92] *"SECP seminars on CSR"* <availableon<http://www.worldtradereview.com/news.asp?pType=N&iType=A&iID=130&siD=12&nID=26699> (Last accessed May 5, 2011).
[93] *"SECP seminars calls for CSR strategy"* available on<www.secp.gov.pk/news/pdf/news-o6> (Last accessed May 5, 2011).

The objective of this study is to support Securities and Exchange Commission of Pakistan (SECP)'s evidence-based corporate social responsibility (CSR) strategy process. This research covers all major industry sectors across the country and the findings are supposed to form the basis of a corporate social responsibility (CSR) Strategy. It is hoped that the corporate social responsibility (CSR) Strategy emerging from this exercise will reflect the perceptions and expectations of our industry and help position Pakistan well in a global trade environment where corporate social responsibility (CSR) has come to be a key variable of competitiveness. An Apex Consultancy on corporate social responsibility (CSR) was conducted as a continuation of this research on 26th September 2005.[94]

3.5.3 Securities and Exchange commission of Pakistan (SECP) promulgates CSR General Order 2009:

The Securities and Exchange Commission of Pakistan has promulgated the Companies (Corporate Social Responsibility) General Order, 2009 prescribing descriptive and monetary disclosures of Corporate Social Responsibility (CSR) activities performed by the companies. The General Order was issued to prescribe narrative and monetary disclosures of Corporate Social Responsibility (CSR) activities undertaken by the companies through their directors' report to the shareholders required to be annexed to the annual audited accounts. The Order was made applicable on all the public companies from the financial year beginning from July 1, 2009.[95]

---

[94] *"Latest from RBI"*available on <http://www.rbipk.org/new/index.php?option=com_content&view=article&id=59&Itemid=64> (Last accessed March 18, 2011).
[95] *"SECP promulgates corporate social responsibility order 2009"*available on<http://www.dailytimes.com.pk> (Last accessed May 11, 2011).

The order covers the following disclosures whenever required:

(i) Corporate philanthropy

(ii) Energy conservation

(iii) Environmental protection measures

(iv) Community investment and welfare schemes

(v) Consumer protection measures

(vi) Welfare spending for under-privileged classes

(vii) Industrial relations

(viii) Employment of special persons

(ix) Occupational safety and health

(x) Business ethics and anti-corruption measures

(xi) national-cause donations

(xii) Contribution to national exchequer

(xiii) Rural development programmes.[96]

3.6 Corporate Social Responsibility Centre – Pakistan:

(CSRCP) is an initiative of Muhammad Imran Associates, Management Consultants. Corporate social responsibility centre Pakistan (CSRCP) aims to create awareness on corporate social responsibility issues and reporting parameters among broad spectrum of organizations ranging from for profit or not for profit and regulatory bodies.[97]

---

[96] *"Companies CSR General order 2009"* available on<http://www.digitalibary. kcci.com.pk/bitstream/3241> (Last accessed March 18, 2011).
[97] *"Corporate social responsibility centre Pakistan"* available on<http://csrcp.com/doc/gri_certificate_training_brochure > (Last accessed May 2, 2011).

3.7 Corporate social responsibility centre Pakistan (CSRCP) offers a range of services to organizations:

Services:

3.7.1 CSR Research:

Corporate social responsibility centre Pakistan (CSRC) conducts research in-house and for organizations. This includes research for organizations ranging from government agencies to non-government agencies and companies on corporate social responsibility (CSR) issues.

3.7.2 CSR Trainings:

Corporate social responsibility centre Pakistan (CSRCP) offers training sessions for organizations as well as conducting workshops/training in collaboration with leading organizations providing corporate social responsibility (CSR) training.

3.7.3 CSR Consultancy:

Corporate social responsibility centre Pakistan (CSRCP) works with companies and other organizations to develop corporate social responsibility (CSR).

1.   Identifying and prioritizing the corporate social responsibility (CSR) through stakeholder engagement, Employee surveys.

2.   Industry benchmarking.

3.   Supply chain reviews.

4.   Engaging with senior management. [98]

3.8 Improving corporate Governance using corporate social responsibility:

Corporate Governance is generally a skeleton of rules and practices by which a board of directors ensures accountability, equality, and lucidity in the firm's relationship. Corporate social

---

[98] *"Corporate social responsibility centre Pakistan"* available on< http://www.csrcp.com> (Last accessed May 1, 2011).

responsibility (CSR) is an effort to ensure that a company or a business organization operate in an economical and socially sustaining environment. [99]

3.9 A fine line between corporate Governance and Corporate social responsibility:

Corporate Governance and corporate social responsibility (CSR) are both extremely important to a company. But it is not a natural thing to separate them. If you have well formed corporate governance programmes that would take care of most of the corporate social responsibility (CSR) issues.[100]

3.10 Initiatives by Support Organizations in Pakistan Securities and Exchange Commission of Pakistan (SECP) one of them:

Since the inception of the concept of CSR and the awareness, several organizations have Evolved over the period of time that have played a major role in creating the awareness, pointing out the issues and fighting the injustice. In Pakistan this activity has not been encouraging so far. Since the idea is hardly a decade old, few organizations have been formed to work on different issues incorporated in corporate social responsibility (CSR). [101]

Organization	initiative	Focus
RBI (Responsible business Initiative)	Research, awarness,capacity building.	(CSR) 10 pillars

---

[99] "*Improving corporate governance using corporate social responsibility*" available on
<http://www.slideshare.net/fmmirza/cfakepathimproving-corporate-governance-using-corporate-social-responsibilities-through-analytical methodology> (Last accessed March 18, 2011).
[100]"*A fine line between corporate governance and CSR*"available on
<http://docs.google.com/viewer?a=usq=cache:pqt8pt4wxoy> (Last accessed May 14, 2011).
[101]"*CSR in Pakistan and a strategy for implementation*" available on<http://www.grli.org/index.php/doc.28-csr-perspective-from-pakistan> (Last accessed February 10, 2011).

SECP	codes development, research	corporate governance,
	Regulation.	CSR.
UNDP (united nation		
	Research, projects.	Corporate governance,
Development program)		environment, Global compact.
GCF (Global compact	compact signing	Global compact principles. [102]
Foundation Pakistan)		

3.11 Government's role in implementation of corporate social responsibility (CSR):

In order to create a positive image of a country, corporations and government can play an important role. Key government environmental strategies help for healthy lifestyle of the people, protection for the environment within a well balanced economic framework. For the implementation of corporate social responsibility (CSR), it is important to know the responsibilities of government and the role of the corporation and how they both can contribute to play their roles through voluntary social action? It is very important to realize that in any country, governments have distinct role in the society through the provision of certain services such as providing health, education, wealth redistribution, environmental sustainability and as providing the security of life of people. [103]

---

[102] *Ibid.*
[103] Amir Sohail, et al., *"The role of CSR to create positive positioning in the branding of a country and particular to Pakistan"* (Master thesis report, Bleking institute of technology school of management ronneby Sweden, 2008), 45-46.

3.12 Examples from the world:

Governments can play a unique and powerful role when it comes to corporate social responsibility. It is time honored principle widely accepted that countries and governments that respect human rights and have more open and transparent laws and financial systems, less corruption, a better-educated workforce enjoys, more stability and more security as compare to those countries that do not follow these principles.[104]

3.13 Responsibilities of the Government:

- Governments should follow their traditional function of promoting trade and business through a proper course of action.

- Government must work with companies to promote strong corporate values which promote legal and ethical behavior as well as respect human rights and labour rights.

- Governments should support and facilitate public-private efforts to promote corporate social responsibility.

- Governments should support existing international standards and adopt them in their Policies to delegate them to their local businesses making them readily competitive for the international market.

- Governments should help civil society, business, academics, NGO's and unions to join hands together and craft credible solutions for their day to day problems and help them implement that throughout the business chain.

- Governments can promote the corporate social responsibility (CSR) agenda through legislation, media and create awards To encourage the organizations to adopt the changes.[105]

---

[104] *"CSR in pakistan and a strategy for implementation"* available on<http://www.grli.org/index.php/doc.28-csr-perspective-from-pakistan> (Last accessed February 10, 2011).
[105] *Ibid.*

3.14 Government as one of the driving forces of corporate social responsibility:

As more and more corporations realize that corporate social responsibility (CSR) is not only essential but that it also develops a good sense of business. There are four forces that drive the corporate social responsibility

Government, civil society, consumer and the workplace.[106]
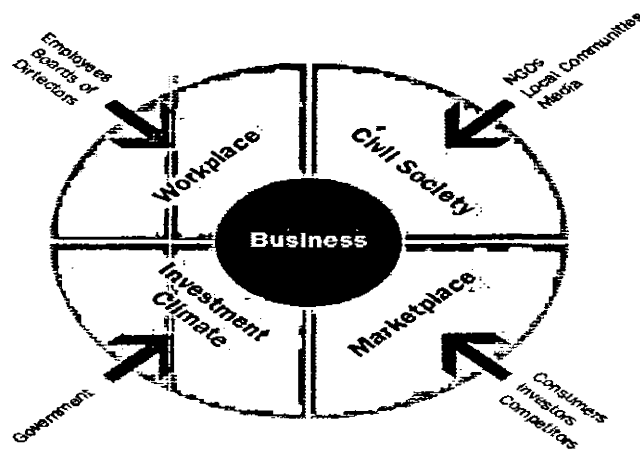
3.15 NGOs /NPOs'S role in implementation of corporate social responsibility (CSR):

The phrase "non –profit organization" has recently been entered in the popular vocabulary before that it was referred as non-Government organizations(NGOs).whatever the terminology, two things are clear i-e one is the organization should be formed to serve others and that those who render services do not do it to make profit for themselves. The second important point is that this activity of social service is in the private sector and not a government activity. The popular phrase

---

[106] Amir Sohail, et al., "The role of CSR to create positive positioning in the branding of a country and particular to Pakistan" (Master thesis report. Bleking institute of technology school of management ronneby Sweden, 2008), 45 46.

now is "civil society" for this part of the private sector. Each non-government organization (NGOs) focuses on certain issue such as protecting human rights, labor rights, and environment. Non-government organizations (NGOs) are power full organizations to educate people, initiate reactions and boycotts against "governments and companies. Non-government organization (NGOs) follow regulations and practices of governments and companies to find out problems related to their main focus. Nowadays, Non-government organization (NGOs) becomes more flexible to cooperate with governments and companies for contributions to the business environment, natural environment and society. [107]

3.15.1 Role of NGOs in Pakistan:

In Pakistan hundreds of local non-government organizations (NGOs) are doing well. just to put an example, the Aga Khan Rural Support Program (AKRSP) is a highly successful NGO-run rural development programme. It reaches some 900,000 people in about 1,100 villages in the Northern Areas and Chitral District of Pakistan near the Afghanistan border. Similarly Poverty Alleviation Fund (PAF) and National Rural Support Program (NRSP) have also performed very well in their respective areas.[108]

3.15.2 The Guidelines for Companies and NGOs to Cooperate with Each Other:

There are important points that will help the cooperation of companies and NGOs:

1. Companies should have strategic approaches for their financial, social and environmental responsibilities. They should focus on making contributions to the society and the environment instead of making public relations activities.

---

[107] "*The rising trend for NGO and the private sector coperation*"available on<http://www.turkishweekly.net/article/160/the-rising-trend-for-ngo-and-the-private-sector-cooperation>(Last accessed May 17, 2011).
[108] "*Role of NGOs in the social sector*" available on< http://archives.dawn.com/2004/11/08/ebr9.htm> (Last accessed May 18' 2011).

54

2. Corporate social responsibility statements of companies should reflect the missions and values of the companies. They should differentiate companies from the competitors.

3. NGOs need public support, new members and financing to survive. They need to cooperate with companies without losing their reliability and integrity.

4. Companies can approach NGOs to conduct corporate responsibility projects whereas NGOs can approach companies to find financing for their prospective projects.

5. NGOs should be careful not to be used by companies for only public relation purposes. They should choose the appropriate companies to cooperate not to lose their reliability and credibility. They should prepare reports that show the needs for the projects in the society. They can explain the benefits of the project to the society and the companies.[109]

3.16 Role of media in Pakistan in implementation of Corporate social responsibility (CSR):

The Media plays a very important role in creating consumer awareness on globally accepted concept of corporate social responsibility(CSR).In Pakistan the Tele Media as well as newspapers are often silent on these issues. We see a few programmes or interviews on some television channels, but the focus is often limited to elements like labour rights or environmental compliance. A few Programmes are related to the topics like environmental reporting and corporate social responsibility (CSR) best practices. Corporate social responsibility (CSR) parameters are still missing from media.[110]

---

[109] "The *rising trend for NGO and the private sector coperation*"available on<http://www.turkishweekly.net/article/160/the-rising-trend-for-ngo-and-the-private-sector-cooperation>(Last accessed May 17, 2011).
[110] "*CSR in Pakistan and a strategy for implementation*" available on<http://www.grli.org/index.php/doc.28-csr-perspective-from-pakistan> (Last accessed February 10, 2011).

Corporate social responsibility (CSR) in Pakistan has been the subject of several conferences and the focus of recurring media attention. Coverage of corporate social responsibility (CSR) activities plays an important role in nearly all annual reports published by listed companies.[111]

3.16.1 Key elements of Corporate social responsibility (CSR) agenda:

The media's social influence arises from it being participatory and encompassing all members of society but it also has the responsibility to demonstrate that it is transparent and accountable. Media's roles in creativity, freedom of expression, good citizenship and being a catalyst for community activity, are all key elements of the corporate social responsibility (CSR) agenda.[112]

3.16.2 Media Corporate social responsibility (CSR) Forum OF U.K:

The "Media corporate social responsibility (CSR) forum" is a group of media organizations Developing corporate social responsibility (CSR) and sustainability practices and understanding for the UK media sector. The Forum was established in 2001.

Its work includes:

1. Developing an understanding of the implications of corporate social responsibility (CSR) for media organizations.

2. Identifying areas for prioritization.

3. Sharing best practices.

4. Engaging with stakeholders. [113]

---

[111] *"The role of CSR"* available on< http://www.csr-weltweit.de/en/laenderprofile/profil/pakistan/index.nc.html> (Last accessed May 20, 2011).
[112] *"sustainability reporting guidelines for media sector open for public comment"* available on<http://www.guardian.co.uk/sustainability/global_reporting_initiative_media_responsibility_csr_sustainability> (Last accessed May 20, 2011).
[113] *"Media CSR forum"* available on<http://mediacsrforum.org> (Last accessed May 20, 2011).

CHAPTER 4.

Challenges and Barriers In the Implementation Of Corporate Social Responsibility In Pakistan:

INTRODUCTION:

Corporate Social Responsibility (CSR) is a rapidly increasing practice where business is becoming increasingly interested, active and innovative. The phenomenon has become a boardroom agenda for many organizations, if not for all. The traditional purview of corporate social responsibility (CSR) being only "corporate philanthropy' is gradually getting expanded to the well-being of People, care for the Planet and increased Profits". Corporate social responsibility (CSR) has grown to be multidimensional in its approach, widespread in its impact and strategic in its nature. The state of corporate social responsibility (CSR) in Pakistan is still in its initial stage. Only a small number of companies have an existing corporate social responsibility (CSR) strategy and mostly they are the multinationals companies who follow their own globally defined corporate social responsibility (CSR) policies and standards. The local industry in Pakistan is unaware of the benefits brought by corporate social responsibility (CSR) or they feel that even if they do not adopt such policies, they are not in any state of danger. [114]

4.1 Challenges in implementation of corporate social responsibility:

The implementation of "Corporate social responsibility" by corporate sectors at country levels help to create a soft and positive image of that country at national and international level. But, it is not easy to make it possible in daily practice because there are some restrictions and challenges that the corporations and countries may face. Such as the cultural and economical position of

---

[114] *"Country Report Pakistan"* available on <http://efp.org.Pk/country report.html> (Last accessed July 1, 2011).

every country is different from other countries. Every country has its own cultural values that are not easy to adopt and implementable in every country. [115]

4.1.1 Lack of Interest: The general perception draw out from respondents about the corporate social responsibility"CSR" is that it is an academic exercise which has no direct benefit to their business. That is one of the key challenges in implementation of corporate social responsibility "CSR".

4.1.2 Lack of Awareness: Corporate social responsibility (CSR) is a new and alien concept for corporate bodies especially in developing countries and it appears there is significant resistance towards adopting corporate social responsibility (CSR) best practices particularly among family owned businesses. [116]

4.1.3 Lack of Learning: Most of the companies who agreed to participate in the survey expressed difficulty in responding to the questionnaire because either the questions on corporate social responsibility (CSR) were not understood within the context of business or specific data were not available in a reportable form.

4.1.4 Lack of Trust: The lack of corporate disclosure by the companies, and while a large number of the respondents ready to verbally communicate their information with the public, they express a serious concern and reluctance to share anything in writing.

4.1.5 Lack of Documentation: Lack of documented information and absence of proper systems to generate decision data about company's policies and practices is one of the key challenges for the companies in participating actively in corporate social responsibility (CSR) activities.

---

[115] Amir Sohail, et al., *"The role of CSR to create positive positioning in the branding of a country and particular to Pakistan"* (Master thesis report, Bleking institute of technology school of management ronneby Sweden, 2008), 53.
[116] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on <http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).

4.1.6 Lack of Leadership: Like all other innovations, the success of corporate social responsibility (CSR) activities also depends to a large measure on strong, visionary leadership. In the case of this research, even though invitation letters from the Chairman Security and exchange commission of Pakistan (SECP) were addressed to CEOs, only a small number were able to commit personal time to oversee the collection or validation of their respective company data.[117]

4.1.7 Lack of Coordination: A large number of companies, despite top management's interest, the feedback process was very time-consuming. It was clear that in the absence of clear demarcation of responsibility for corporate social responsibility (CSR) assignments within the corporate structure, there was insufficient coordination between departments as well as between the top and middle management.[118]

4.2 Challenges of cultural and economic barriers to employing Corporate Social Responsibility (CSR):

4.2.1 Economic barriers:

Most important barrier in implementation of corporate social responsibility (CSR) on national and international level is the lack of relationship between corporate social responsibility and economical success of the corporations. Mostly companies find it difficult to assess how much to invest in corporate social responsibility (CSR) activities. Where to stop and how to create the right balance between the financial performance and corporate social responsibility? This is most significant barrier for corporations and governments. Company's main objective is to maximize their profits and minimize their costs by effectively using their resources. Sometimes businesses

---

[117]*Ibid.*
[118] *Ibid.*

sector do not want to sacrifice their profits just for sake of environmental sustainability and welfare of the society.[119]

Example of Pakistan:

For well structured, developed and economically stable countries like Sweden, it is not a big issue to implement the corporate social responsibility in the country. But it is very difficult in case of Pakistan, where government is not stable and businesses are not fully pleased with their current economic positions.[120]

4.2.2 Cultural barriers:

Every country culture is different from other countries in the world. So, in order to implement corporate social responsibility, culture play important role. As the country has different culture likewise the corporations have their distinct cultural values that compel them to behave like a good corporate citizen by taking good care of well being of people and environment. Cultures provide corporations and government with ways of thoughts, ways of seeing, hearing, and interpreting the world. In the implementation of corporate social responsibility cultural barriers are important issue for the corporations and countries. Sometime Companies are restricted by the government to some extent and it becomes difficult for them to perform activities towards environmental sustainability and well being of society. [121]

4.3 Inefficiencies and confusion: A large number of individual buyers' corporate social responsibility (CSR) codes are now generating inefficiencies and confusion. [122]

---

[119] Amir sohail,et al., *"The role of CSR to create positive positioning in the branding of a country and particular to Pakistan"*(Master thesis report., Bleking institute of technology school of management Ronneby sweden,2008),53
[120]*Ibid.*
[121] *Ibid.*
[122] *"Strengthening implementation of corporate social responsibility in global supply chains"* available on <info.worldbank.org/etools/docs/library/114199/strengthening%20 implementation%200f% 20CSR%20 in%20global%20supply%20chains%20-%2003pdf> (Last accessed June 28, 2011).

4.3.1Inefficiencies:

Inefficiencies have caused as a result overlap and repetition of corporate social responsibility (CSR) programmes among the buyers. According to suppliers this imposes burden both on buyers and suppliers.[123]

4.3.2Confusion:

Suppliers claim that there is diversity of corporate social responsibility (CSR) requirements among buyers that create barrier for the suppliers to know which route to follow to fulfill their commitment.[124]

4.3.3Insufficient understanding of the business benefits:

Most of the corporations do not understand the benefits that can be acquired by the implementation of corporate social responsibility (CSR). Such attitude of the corporate sector is creating a hurdle for corporate social responsibility (CSR).[125]

4.3.4 Structural Barriers:

The structure of relationship of buyer and supplier is also a barrier to the implementation social and environmental standards.[126]

4.3.5 Inaction of Government:

Government inaction viewed as not only as a barrier to the achievement of good practice but that is also a barrier in the implementation of codes of conduct. [127]

---

[123] *Ibid.*
[124] *Ibid.*
[125] *Ibid.*
[126] *Ibid.*
[127] *Ibid.*

4.4 Rule of corporate law: One of the key challenge to the idea of corporate social responsibility (CSR) is the rule of corporate law that the directors are prohibited to indulge in such activities which caused decrease in profit of the companies.[128]

4.4.1 Conduct of corporations:

Companies are not paying full costs of their impact on society. Corporations care little for the welfare of the workers and society. For example the costs of cleaning pollution often fall on society that caused by the activities of companies.[129]

4.5 Lack of compilations of data by the corporations:

Businesses sector do not compile and analyses enough corporate social responsibility (CSR) data to implement real changes that could increase efficiency, lower costs, reduce environmental impact and improve their reputation with key shareholders and customers.[130]

4.6 Pressure on corporations:

Companies are coming under pressure from the government, investors, and consumers to improve their level of corporate social responsibility (CSR). But the corporations seem more interested in talk than action at the moment, with 65 per cent still not understanding their customers' concerns about corporate social responsibility (CSR) issues. [131]

4.7 Gap B/W goal setting and polices implementation: While 89 per cent of business executives claim that they are focusing on corporate social responsibility (CSR) it is the gap between goal setting and the actual implementation of policies that forms the biggest problem. [132]

---

[128] *"Corporate social responsibility an overview"* available on <http://www.online.eshoppeen.com/blog/corporate-social-responsibility-an-overview-2011 > (Last accessed July 1, 2011).
[129] *Ibid.*
[130] *"Business still lack of CSR focus"* available on<http://www.reportsocial.com/files/takingCSR-leaders-pdf> (Last accessed August 6, 2011).
[131] *Ibid.*
[132] *Ibid.*

4.8 Survey conducted by Employers' federation of Pakistan:

A survey was conducted by the employers' federation of Pakistan on the activities of corporate social responsibility (CSR) in Pakistan. According to that survey followings challenges were highlighted in implementation of corporate social responsibility (CSR).[133]

A) Limited financial Resources.

B) Low levels of expertise of Human Resources.

C) Lack of information.

D) Weak initiatives from the top management.

E) Lack of understanding by share holders.

F) Lack of training and education opportunities.

G) Lack of Government support.[134]

4.9 Corporate social responsibility compliance in Pakistan:

Less than 50% of corporations fall into the "Compliance" category, a stage where a company exhibits a general awareness of Corporate Social Responsibility (CSR) principles, objectives and benefits. Companies at this stage show that they are becoming more conscious of environmental and social impact issues arising as a result of their industrial activity. Most are implementing measures to improve their corporate social responsibility (CSR) impact. The textile, financial, leather & footwear, cement & building, and telecommunication sectors, all are at the stage of development of corporate social responsibility (CSR).[135]

---

[133] *"Country report Pakistan"* available on< http://efp.org.pk/countryReport.html> (Last accessed July 1, 2011).
[134] *Ibid.*
[135] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on
<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).

4.10 Benefits of compliance of corporate social responsibility (CSR):

• **Improves the performance of company:**

The compliance of corporate social responsibility (CSR) improves the performance of corporations.

• **Relationship with the external parties:**

Companies increasingly emphasize the importance of relationships with external parties that is the key to their business success.

• **Effective management:**

Corporate social responsibility (CSR) develops the effective management in the global economy where the information travels at internet speed, requires a proactive approach.[136]

• **Raising the capacity of corporations:**

Raising the capacity to attract and maintain a qualified and motivated workforce.

• **Improvement in relations:**

Improves relations with the staff. This is also helpful for the better performance of corporations.

• **Productivity and quality:**

Corporate social responsibility (CSR) Increases in productivity and quality of the work of corporations in the long run.

• **Risk management:**

Improves risk management including supply chain.

• **Access to market:**

Increases in access to the market in foreign countries.

---

[136] *"Corporate social responsibility an overview"* available on<http://www.online.eshoppeen.com/blog/corporate-social-responsibility-an-overview-2011 > (Last accessed July 1, 2011).

Facilitates access to credits, taking into account the current trend of financial institutions to include environmental and social criteria in their assessments.

- **Increases in customer loyalty:**

Customers give preference to the products of the company that actively participates in the social activities.

- **Brand image and reputation of company:**

Strengthening brand image and company reputation as essential factor for competitiveness.[137]

4.11 Risks of Non-Compliance:

Businesses had to pay a huge cost for failing to understand their social responsibility towards society. There are several examples that alarmed the business sectors over the last two decades and enforced them to change their strategy towards the social activities. A company's repute and success is dependent on the relationship with all these stakeholders. Relationship building is a key to success of any business and it's only possible when the business practices are the ones acceptable to everyone. Several corporate scandals have been highlighted by the pressure agencies like NGO's, media, internet etc.[138]

4.12 Shell company case:

In the 70's and 80's Shell was heavily criticized for continuing to carry out the business in South Africa and breaking anti-apartheid sanctions. Shell was criticized for its activities that caused environmental damages. [139]

---

[137] *"Country report Pakistan"* available on< http://efp.org.pk/countryReport.html> (Last accessed July 1, 2011).
[138] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on <http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan > (Last accessed February 10, 2011).
[139] *Ibid.*

4.13 Nike company case:

Nike, the world leader in sporting goods, was struck by controversy over their labour practices in Asia. This caused massive consumer boycotts, negative publicity, stakeholder and pressure group criticism, and created an emergency situation for the top management in which the company was compelled to change their policies. [140]

4.14 Enron company case:

The Enron scandal was another landmark in the history of corporate social responsibility (CSR) and built up a strong case for its implementation. Enron became the America's largest company in just 15 years employing 21,000 staff in more than 40 countries. The Company had to face criminal investigation and law suits and bad repute; transparent reporting then emerged as a solution to avoid such Corruptions in future. Now Enron's issue the report on environmental and social situations and emphasizes the ethical dimensions of corporate social responsibility (CSR). [141]

4.15 Stages of adoption of corporate social responsibility (CSR):

The adoption of corporate social responsibility (CSR) starts with clear understanding and right perception of Global corporate social responsibility (CSR) debate.

> **First stage:**

Once a company has a clear concept the first step is to the show commitment and has corporate social responsibility (CSR) reflected in their mission and vision.

---

[140] *Ibid.*
[141] *Ibid.*

> ➤ **Second stage:**

The second stage is developing corporate social responsibility (CSR) policies to guide management in implementing them and to create awareness among employees to adopt these policies.

> ➤ **Third stage:**

The third and most important stage is the "practice" of implementing well established systems to follow the policies for integrity, governance, marketing practices, social and environmental compliances, disclosure and other corporate social responsibility(CSR) parameters.

> ➤ **Fourth stage:**

Very few companies at present are seen to be at the fourth stage where they are able to reap business benefits of their efforts.[142]

---

[142] *Ibid.*

Chapter: 5

Recommendations for implementation of corporate social responsibility (CSR) and conclusion:

5.1 Recommendations:

There exists a dire need to improve the quality and quantity of corporate social responsibility (CSR) in Pakistan. Wide-ranging and multi-tiered awareness campaign needs to be organized in order to make the various stakeholders and businesses understand the necessity and advantages of corporate social responsibility (CSR) and remove any misconceptions related to it. A relevant and enabling corporate social responsibility (CSR) policy needs to be developed by the Government with the involvement of all stakeholders.

An effective regulatory authority is the key to this strategic thrust. The regulatory authority should have the requisite capacity and powers to implement guidelines and monitor progress. Organizations can also be Helpful in grooming small and medium enterprises in building socially responsible process, and also to advise the larger businesses in leveraging the advantages of corporate social responsibility (CSR) and sharing lessons and best practices.[143]

5.1.1 Develop an integrated corporate social responsibility (CSR) decision-making structure:

It is essential for every firm to determines its corporate social responsibility(CSR) goals and decision making with its overall goals and strategies, so that taking corporate social responsibility(CSR) considerations into account in corporate decision making becomes as natural

---

[143] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on <http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan> (Last accessed February 10, 2011).

as taking customer perspectives into account. Some firms prefer a centralized corporate social responsibility (CSR) decision-making structure and some de-centralized.[144]

5.1.2 Prepare and implement a corporate social responsibility (CSR) business plan:

The corporate social responsibility (CSR) business plan may be separately described or included as part of the company's existing overall business plan. With the strategy, commitments and decision-making structures in place, the corporate social responsibility (CSR) business plan helps to ensure that the words are transformed into effective action. An excellent way of doing this is to determine what human, financial and other resources and activities will be required to carry out the corporate social responsibility (CSR) strategy and commitments.

Example: Corporate social responsibility (CSR) commitment may be that the firm will not offer improper payments to officials. The first step to implement that commitment might be to create a training course on the distinction between proper and improper payments.

5.1.3 Set measurable targets and identify performance measures:

A firm's approach to setting measurable environmental, economic and social targets and tracking success in meeting them is fundamentally no different from the athlete's approach to winning an Olympic medal. A widely used approach to measuring success is to identify the objectives underlying a corporate social responsibility (CSR) commitment, develop key performance indicators, work out the measurement method and then measure the results. Engage employees and others to whom Corporate social responsibility (CSR)[145]

5.1.4 Commitments apply:

While overall corporate social responsibility (CSR) success depends first on senior management, ultimately corporate social responsibility (CSR) implementation largely rests in the hands of

---

[144] *"Implement CSR commitments"* available on< http://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/rs00135.html> (Last accessed July 1, 2011).
[145] *Ibid.*

employees and, in some cases, suppliers. In a sense, these parties are often a firm's human face, capable of acting as ambassadors, advocates and sources of new ideas and information.

5.1.5 Employees support for corporate social responsibility (CSR) implementation can be maintained in a number of ways:

• Incorporating corporate social responsibility (CSR) performance elements into job descriptions and performance evaluations

• Providing regular updates on progress, such as in meetings or the company newsletter.

• Developing incentives, such as rewards for best suggestions.

• Removing or reducing disincentives. For example competing interests such as premature deadlines that encourage employees to choose non- corporate social responsibility (CSR) options.[146]

5.1.6 Design and conduct corporate social responsibility (CSR) training:

Corporate social responsibility (CSR) training should be conducted the most successful training addresses knowledge, skills and attitudes, and is based on "adult learning" approaches, whereby the learner has input into the development of the learning process.

There are five steps to establishing a successful training program:

• Conducting a needs analysis.

• Setting learning objectives.

• Designing the program (i.e. content, format, logistics, timing, duration)

• Implementing the program.

• Evaluating the program against the learning objectives.[147]

---

[146] *Ibid.*
[147] *Ibid.*

5.1.7 Establish mechanisms for addressing problematic behavior:

The very fate of employees, communities, the environment and firms can depend upon early detection of activity that is contrary to corporate social responsibility (CSR) principles and commitments. Auditing and monitoring can only go so far in this regard. For this purpose it is important for firms to put in place mechanisms and processes that will allow for early detection, reporting and resolution of problematic activity. Create internal and external communications plans.[148]

5.1.8 Build Strong Conceptual Knowledge:

Corporate social responsibility (CSR) initiative must be a considered effort to build awareness and knowledge on what comprises minima for corporate social responsibility (CSR) performance in Pakistan. This task can be performed by representatives of Government from Securities and Exchange Commission of Pakistan (SECP), Business and select corporate social responsibility (CSR) experts to suggest a Pakistan-specific "definition of corporate social responsibility (CSR) with accompanying policy guidelines for Government to implement corporate social responsibility (CSR).

5.1.9 Link corporate social responsibility (CSR) to Competitive Advantage:

Businesses in Pakistan, especially the small and medium enterprises that form supply chains of Major businesses need to make the connection between corporate social responsibility (CSR) and profits so they can become more efficient and pass on savings and value all along to the customer.

5.1.10 Enhance Effective Stakeholder Involvement:

Corporate social responsibility (CSR) needs to be introduced as a topic in business discussions starting right from business and commerce education to the highest level of trade negotiations.

---

[148] *Ibid.*

Social Investments needs to be based on community and society needs assessed through stakeholder's involvement at community and national level.[149]

5.1.11 Harmonize and Standardize Corporate social responsibility (CSR) Performance:

The most important thing required is a corporate social responsibility (CSR) tool based on considerations of our national limitations and strengths for gaining competitive advantage with a focus on Global corporate social responsibility (CSR) debate and to get it recognized globally. Simpler corporate social responsibility (CSR) reporting guidelines need to be devised and encouraged through corporate social responsibility (CSR) Report Awards by Government agencies like Securities and Exchange Commission of Pakistan (SECP) in collaboration with civil society organizations having technical expertise in corporate social responsibility (CSR) reporting standards.[150]

5.1.12 Define and Promote Clear Incentives:

Government allows for tax exemptions and preferential treatment of businesses that contribute to philanthropic causes.

Incentives include followings.

- Awards.

- Public recognition of individuals.

- Companies bestowed by the government, representative bodies, trade associations and public benefit organizations.

All this promotes business interest in certain activities and allows for interested individuals to aspire to higher standards.

---

[149] *Ibid*
[150] *Ibid.*

5.1.13 Promote a Shared Strategic Vision:

Country needs a clear and compelling strategic vision for corporate social responsibility (CSR) articulated convincingly by champions who practice what they preach. Securities and Exchange Commission of Pakistan (SECP) in its regulatory role has a key responsibility in steering other stakeholders towards such a vision.

5.1.14 Promote "Business" Thinking for Corporate social responsibility (CSR) Projects:

Corporate social responsibility (CSR) interventions that seek to respond to community needs such as health or sanitation or education are often not seen by their corporate sponsors as social investments and as such not open to the kind of scrutiny reserved for financial investments. Businesses need to be convinced that social investments are not too different from financial ones and thus have to be measured like them.

5.1.15 Seed a Vibrant National Forum:

In Pakistan there is room for a national corporate social responsibility (CSR) forum where knowledge can be shared informally and good practice take the country into the next plane of corporate social responsibility(CSR) performance. Securities and Exchange commission of Pakistan(SECP) can lead this forum, with secretariat housed in an institution such as the Institute of Corporate Governance, or any another academic institution, or a suitable citizen sector organization.[151]

5.1.16. Groom Future Corporate social responsibility (CSR) Leaders:

There is no dearth of innovation leaders among Pakistan's corporate and citizen sectors. These Innovative corporate leaders can be the best resource and act as a catalyst for creating a larger Pool of future leaders. These leaders need to take a leap forward to educate themselves on corporate social responsibility (CSR) issues and then showcase ethical behavior within their own

---

[151] *Ibid.*

73

organization, collaborate with other responsible leaders and provide a learning forum for young leaders. These young leaders can be encouraged through rewards and recognition by representative bodies, such as chambers of commerce, Securities and Exchange Commission of Pakistan (SECP), business schools or corporate social responsibility (CSR) enabling organizations.[152]

5.1.17. Communication between corporate sector and Government:

A company must communicate with government while planning corporate social responsibility program so that it must be aligned with government's country branding strategy. Also government must communicate their plans with corporate sector and help them to plan and implement corporate social responsibility (CSR) program to make it more effective.

5.1.18 Government should incentivize corporate social responsibility (CSR):

The government should encourage companies to invest in corporate social responsibility (CSR) initiatives by giving more tax incentives & expansion of areas for corporate social responsibility (CSR) coverage. The government may consider incentivizing corporate social responsibility (CSR) activities through tax incentives create a market for corporate social responsibility (CSR) credits and bringing more areas under the purview of corporate social responsibility (CSR) tax relief, they opined. [153]

5.1.19. Establishment of program unit or action cell for corporate social responsibility (CSR):

Pakistan should start a specialized program unit or action cell to work on corporate social responsibility (CSR) and collaborate with companies for spreading information about country

---

[152]*Ibid.*
[153] Amir Sohail, et al., *"The role of CSR to create positive positioning in the branding of a country and particular to Pakistan"* (Master thesis report. Bleking institute of technology school of management ronneby Sweden, 2008), 80.

branding strategy about corporate social responsibility (CSR) program. They also encourage companies to show their social responsibility and adopt corporate social responsibility (CSR) programs.[154]

5.1.20. Commitment on the part of Government towards the CSR:

Government must clearly state its commitment to sustainable economic development and to the responsible contribution of business to this objective. This commitment must go beyond rhetoric and platitudes. It demands active policy responses across government.[155]

5.1.21. Government should emphasize the importance of transparent reporting:

It is hypocritical for government to tell business, NGO's and consumers what they should do if the government's own agencies cannot pursue and transparently report sustainable operations. Clear sustainability targets and mandatory transparent reporting are needed for federal government agencies.[156]

5.1.22 Government should have the primary carriage of corporate social responsibility (CSR) initiatives:

Government must also better coordinate policy development and ensure that a business oriented Government department has primary carriage of corporate responsibility initiatives. This is essential to ensure that corporate responsibility initiatives move beyond a primary focus on company philanthropy.[157]

[154] *"Govt should encourage cos to invest in CSR Greas"* available on< http://www.thefinancial express-bd.com/more.php?news-id=134669sdate=2011-05-057 > (Last accessed August 8, 2011).
[155] Amir Sohail, et al., *"The role of CSR to create positive positioning in the branding of a country and particular to Pakistan"* (Master thesis report, Bleking institute of technology school of management ronneby Sweden, 2008), 80.
[156] *"What Governments can do about corporate social responsibility"* available on <http://www.accesr.com.an/pdf/transcript-pe>(Last accessed August 22,2011).
[157]*Ibid.*

Conclusion:

It is clear from the all discussion that Pakistani businesses need to be supported in bridging the gap between their present state and the rapidly evolving corporate social responsibility (CSR) environment that is creating new benchmarks of corporate performance and customer acceptance. Pakistan needs to improve its present level of corporate social responsibility (CSR).

Taking the current situation of corporate social responsibility (CSR) in Pakistan means building responsible competitiveness, and to do so require a collaborative effort that supports a culture of compliance and an environment that enables responsible thinking and practices. This is only possible by underscoring corporate social responsibility (CSR) as a priority of national policy, followed by the development and implementation of a national corporate social responsibility (CSR) strategy. First step corporate social responsibility (CSR) practices need to evolve through an institution for corporate social responsibility (CSR) dialogue. An example of such an institutional arrangement would be the formalization of a corporate social responsibility (CSR) policy and learning group comprising individuals representing relevant stakeholders. Beginning as a semi-formal working coalition, possibly under the aegis of Securities and Exchange Commission of Pakistan (SECP) itself or an academic or corporate social responsibility (CSR) research institution, this group can evolve into an independent organization if the situation demands. [158]

Pakistan needs to leapfrog from its present level of corporate social responsibility (CSR) into the current situation. In placing Pakistani business in a competitive place with regard to corporate social responsibility (CSR), every stakeholder has a role to play as an ally. On behalf of the Government, this requires the creation of an enabling statutory and regulatory environment, clear

---

[158] *"Corporate social responsibility in Pakistan and a strategy for implementation"* available on
<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan> (Last accessed February 10, 2011).

policy guidelines, fair and transparent rating and reporting mechanisms and tangible incentives and penalties for companies who wish to demonstrate their commitment to sustainable environmental or social investments. Media can also play an important role in creating awareness among the public and in business sector about Corporate Social Responsibility. SO, we can say that for the proper implementation of Corporate Social Responsibility in Pakistan the Government, media, corporations and regulatory authority should play their role. The major responsibility is of the corporations they should realize their responsibilities towards society as by the corporations in others countries.

BIBLOGRAPHY.

BOOKS.

Post, James E., Anne T. Lawrence, James weber. Business and Society. United States. San Francisco press, 1975.

Carrol, Archie, B., and Ann K Buchholtz.Business & society Ethics and stakeholder management.Georgia: University of Georgia Press, 2003.

WEBSITES.

<http://www.interscience.wileg.com/journal >

<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan>

<http://www.naukrihub.com/hr-today/csr.html >

<http://ec.europa.en/enterprise/policies/sustainable-business/corporate-social-responsibility/index-en.htm>

<http://hubpages.com/hub/The -Growing-importance-of-CSR>

<http://www.social responsibility.vinsign.com/the-importance-of-corporate social-responsibility-html>

<http://ezinearticles.com/?importance-¬of-¬CSR-¬For-¬Small-¬Companies&id=3254071>

<http://www.olinhyde.com/2010/09/csr-the-importance   of   -giving   back>

<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>

<http://www.chillibreeze.com/articles various/CSR -in -india.asp>

<http://www.Insiderrepoters.com/storypage.asp?storyiD=20014487>

<http://www.articlesbase.com/economics-articles/corporate-social-responsibility-in-the-perspective-of-rural-growth>

<http://www.socialfunds.>

<Com/news/articles.cgi?sfArticled=2857http://www.fao.org/docrep/011/i0440eo9.htm >

 <http://www.csreurope.org/20091012-a-guide-to-csr-in- europe-final.pdf >

<http://commons.emich.edu/mchair/vol1/iss1/6>

<http://www.enrofound.europa- eu/emcc/content/source/eü03002a.htm>

<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf >

<http://www.easbis.org/upload/meda/dlbard-CSR-legislation.pdf >

 <http://www.suite101.com/content/corporate-social-responilbity-and-orange-a128395>

<http://www.enrofound.enropa.en/ewco/2005/02/0k0502/ Nu03.htm>

<http://www.csrgov.dk/sw51377.asp >

< http://www.pakpositive.com/pakistanibloggers/lack.of.CSR7>

<http://www.maverickpakistanis.com/? p= 3644>

ARTICLES:

1 *"Responsibility of manager towards corporate social responsibility"* available on

<http://www.scribe.com/doc/212279194/responsibility -of - manager-towards-corporate-social-responsibility >

2 *"Corporate social responsibility marketing issues in Pakistan"* available on

<http://www.scribe.com/doc>

3 *"Principles to practice: exploring corporate social responsibility in Pakistan"* available on<http://www.interscience.wileg.com/journal>

4 *"corporate social responsibility in Pakistan and a strategy for implementation"* available on<http://www.gril.org/index.php/doc.28-csr-perspective-from-pakistan>

5 *"Corporate social responsibility"* available on< http://www.naukrihub.com/hr-today/csr.htm>

6 *"Corporate Social Responsibility General Order"* available

on<http://www.onePakistan.com/new/local/Islmabad/24770-SECP-Promulgates-Companies-generalorder 2009.html>

7 *"Sustainable and responsible business corporate social responsibility"* available on

<http://ec.europa.en/enterprise/policies/sustainable-business/corporate-social-responsibility/index-en.htm>

8 *"The growing importance of CSR"* available on < http://hubpages.com/hub/The -Growing-importance-of-CSR>

9 *"The importance of corporate social responsibility"* available on

< http://www.social responsibility.vinsign.com/the-importance-of-corporate social-responsibility-html>

10 *"CSR: The importance of giving back"* available on <http://www.olinhyde.com/2010/09/csr-the-importance of -giving back >

11 *"Importance of CSR for small companies"* available on <http://ezinearticles.com/?importance-¬of--CSR-¬For-¬Small-¬Companies&id=3254071>

12 *"Corporate social responsibility and small medium enterprises"*

<http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/sme/index_en.htm >

13 *"Forces driving corporate social responsibility"* available on

<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility >

14 *"Deriving forces of CSR in Asia"* available on<http:// www. Vientnanforumcsr.net/ default. Aspx? Portalid= 5stabid=334sitemid=68>

15"Corporate social responsibility in India-putting social – economic development on a fast track" available on <http://www.chillibreeze.com/articles various/CSR -in -india.asp>

16 *"Corporate social responsibility An overview74"* available

on<http://hubpages.com/hub/corporate-social-responsibility-an-overview>

17 *"Corporate social responsibility"* available

on<http://www.Insiderrepoters.com/storypage.asp?storyiD=20014487>

18 *"Corporate social responsibility in the perspective of rural growth"* available on <http://www.articlesbase.com/economics-articles/corporate-social-responsibility-in-the-perspective-of-rural-growth >

19 *"Indian Government issues voluntary guidelines for corporate Governance and corporate social responsibility"* available on <http://www.socialfunds. Com/news/articles.cgi?sf Articled=2857>

20 *"Corporate social responsibility reporting in the United States"* available on<http://commons.emich.edu/mchair/vol1/iss1/6>

21 *"A Guide to CSR in Europe"* available on < http://www.csreurope.org/20091012-a-guide-to-csr-in- europe-final.pdf>

22 *"Corporate social responsibility in France, Germany, Hungary and the United kingdom"* available on< http://www.enrofound.europa- eu/emcc/content/source/eu03002a.htm>

23 *"Global corporate social responsibility disclosure legislation"* available on<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf>

24 *"CSR legislation in France and the European regulatory paradox: an analysis of EU CSR Policy and sustainable reporting practice"* available on <http://www.easbis.org/upload/meda/dlbard-CSR-legislation.pdf>

25 *"Corporate social responsibility and orange"* available on

<http://www.suite101.com/content/corporate-social-responilbity-and-orange-a128395>

26 *"Monitoring social responsibility in Europe: Denmark, Hungary and Greece"* available on<http://www.enrofound.enropa.en/ewco/2005/02/0k0502/ Nu03.htm>

27 *"Press release: Law on CSR reporting"* available on <http://www.csrgov.dk/sw51377.asp >

28 *"Business Green: Denmark latest to pass csr reporting law"* available on<http://www.business green.com/bg/new/1801774/Denmark-pass-csr-reporting-law>

29 *"Corporate social responsibility and reporting in Denmark impact of the legal requirements for reporting on CSR in the Danish Financial statement Act"* available on<http://www.documents and settings/ Admin/local settings/ temporary internet files/ content. IES/F6NowTD/CSR and reporting-in>

30 *"Danish chamber of commerce"* available on< http://www. Danish exports.dk/scripts/Danish exports/ Eo-hts/asp >

31 *"CSR in Europe"* available on<http://www.csreurop.org/pages/en/about-us.html>

32 *"Public policies on corporate social responsibility: The role of Government in Europe"* available on<http:www.springerlink.com/content/66/12 v 7r4r48pl3/fulletext.pdf>

33 *"Corporate social responsibility"* available on <http://www.chowrangi.com/corporate-social-responsibility.html>

34 *"Lack of corporate social responsibility in Pakistan"* Available on<http://www.pakpositive.com/pakistanibloggers/lack-of-corporate-social-responsibility-in-pakistan-731-html>

35 *"The role of CSR"* available on <http://www.csr.weltweit.de/en/laenderprofile/index.nc.html>

36 *"CSR in Pakistan"* available on<http://www.csrpakistan.pk/csr-in-pakistan.html>

37 *"Engro corp"* available on < http://www.engro.com/2010/03/01/engro-corp-ranked-pakistan%80%qqs-leading-csr.company-2>

38 *"KSB pumps pakistan"* available on < http://www.ksb.com.pk/corporate.htm>

39 *"Pak Tobacco company"* available on< http:/www.ptc.com.pk/group/sites/pak-7shbxn.nsf/vwpages weblive/dott5lsk?opendocuments skn=1>

40 *"Corporate social responsibility theory and practice in Pakistan"* available on<http://www.stud.epsilan.slu.se/2096/>

41 *"PIA corporate social responsibility"* available on<http://www.piac.com.pk/pia-about-CSResp.asp>

42 *"Corporate social responsibility in Asia"* available on<http://www.csrasia.com/index.php?page=3scat=24>

43 *"Tetra corporate social responsibility in Pakistan"* available on<http://www.phonebook.com.pk/dynamic/companydetail.aspx.comp-id=89342>

44 *"Contributing to our community"* available on<http://www.tetrapk.com/pk/about-tetra-pak/our-social-responsibility/csr/pages/default.aspx>

45 *"CSR is flourishing from non-existence to real existence"* available on <http://answers.yahoo.com/question/index?quid=20100803055652 AACJUD>

46 *"National consultant"* available on <http://undp.brightspyre.com/opening/detailjob.php? Jid=434>

47 *"SECP seminars on CSR"* available on <http://www.worldtradereview.com/news.asp?pType=N&iType=A&iID=130&siD=12&nID=266 99 >

48 *"SECP seminars call for CSR strategy"* available on <www.secp.gov.pk/news/pdf/news-o6>

49 *"Latest from RBI"*available

on<http://www.rbipk.org/new/index.php?option=com_content&view=article&id=59&Itemid>

50 *"SECP promulgates corporate social responsibility order 2009"* available

on<http://www.dailytimes.com.pk>

51 *"Companies CSR General order 2009"*available on<http://www.digitalibary,

kcci.com.pk/bitstream/3241>

52 *"Corporate social responsibility centre Pakistan"* available on

<http://csrcp.com/doc/gri_certificate_training_brochure>

53 *"Improving corporate governance using corporate social responsibility"* available

on<http://www.slideshare.net/fmmirza/cfakepathimproving-corporate-governance-using-

corporate-social-responsibilities-through-analytical methodology>

54 *"A fine line between corporate governance and CSR"* available on

<http://docs.google.com/viewer?a=usq=cache:pqt8pt4wxoy>

55 *"The rising trend for NGO and the private sector cooperation"* available

on<http://www.turkishweekly.net/article/160/the-rising-trend-for-ngo-and-the-private-sector-

cooperation>

56 *"Role of NGOs in the social sector"* available

on<http://archives.dawn.com/2004/11/08/ebr9.htm>

57*"Role of NGOs in Pakistan"* available on <http://www.oppapers.com/essays/role-of-NGO-in-

pakistan/668919>

58 *"The rising trend for NGO and the private sector cooperation"* available

on<http://www.turkishweekly.net/article/160/the-rising-trend-for-ngo-and-the-private-sector-

cooperation >

59 *"The role of CSR"* available on<http://www.csr-

weltweit.de/en/laenderprofile/profil/pakistan/index.nc.html>

60 *"Sustainability reporting guidelines for media sector open for public comment"* available

on<http://www.guardian.co.uk/sustainability/global_reporting_initiative_media_responsibility_cs

r_sustainability>

61 *"Country Report Pakistan"* available on< http://efp.org.Pk/country report.html>

62 *"Media CSR forum"* available on <http://mediacsrforum.org>

63 *"Strengthening implementation of corporate social responsibility in global supply chains"*

available on <info.worldbank.org/etools/docs/library/114199/strengthening%20

implementation%200f% 20CSR%20 in%20global%20supply%20chains%20-%2003pdf>

64 *"Corporate social responsibility an overview"* available on

<http://www.online.eshoppeen.com/blog/corporate-social-responsibility-an-overview-2011>

65 *"Business still lack of CSR focus"* available on<http://www.reportsocial.com/files/takingCSR-

leaders-pdf>

66 *"Implement CSR commitments"* available on <http://www.ic.gc.ca/eic/site/csr-

rse.nsf/eng/rs00135.html>

67 *"Govt should encourage cos to invest in CSR Greas"* available on <http://www.thefinancial

express-bd.com/more.php?news-id=134669sdate=2011-05-057>

68"*What Governments can do about corporate social responsibility*" available

on<http://www.accesr.com.an/pdf/transcript-pe>

69"*Lack of corporate social responsibility in Pakistan*" available

on<http://www.pakpositive.com/pakistanibloggers/lack.of.CSR7>

70 *"Pakistan makes strides in improving prudential regulatory regime"* available

on<http://www.maverickpakistanis.com/?p=3644>

THESIS:

Sohail, Amir."The role of CSR to create positive positioning in the branding of a country and

particular to Pakistan" Master thesis. Sweden University, 45.

ACTS:

1. CSR General Order 2009.

2. Sarbanes Oxely Act 2002.

3. Social Assessment Law.

4. The New Economic Regulations Law 2001.

5. The Danish Financial Statement Act.

Case Laws:

Shell Company Case.

Nike Company Case.

Enron Company Case.