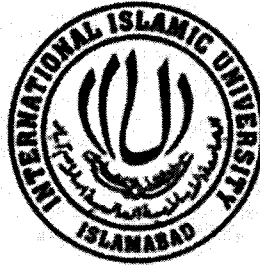


Corporate Social Responsibility: Legal and Regulatory Framework in Pakistan



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DECLARATION

I hereby declare that this dissertation is original and has never been presented in any other University or Institution of learning. I also declare that this thesis has never been copied and any secondary information used has been duly acknowledged in this dissertation.

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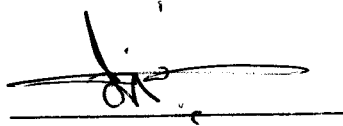


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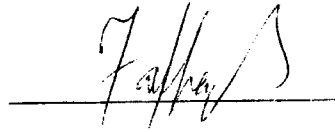
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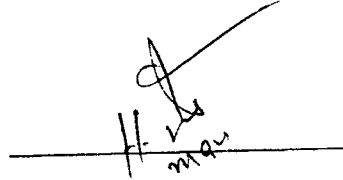
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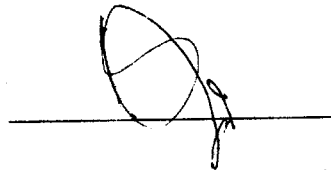
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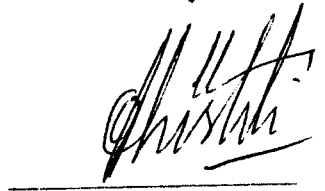
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DEDICATION

I dedicate this thesis to my precious assets my parents and my Daughters AYNA and AYRA.I am thankful to my Supervisor and my Husband for their love and support throughout my Research work. 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.

ABSTRACT

This research is aimed to create awareness in society and corporate sector about the concept of corporate social responsibility. The main object of the research is to highlight the legal aspects of corporate social responsibility in Pakistan and its importance. The concept of mandatory nature of corporate social responsibility is also main concept of the research.

Corporate Social Responsibility is the commitment by the corporations to behave ethically and contributes to economic development while improving the quality of life of workforce and their families and also the society. This research aims to explore the level of Corporate Social Responsibility in Pakistan. The idea of Corporate Social Responsibility (CSR) is not compulsory activity which has been highlighted. In Pakistan, large companies have basically been supporting CSR practices on optional basis in different forms such as charities and other practices. According to the supporters, compulsory form of CSR can be properly carried out by legislation. The study tried to analyze relevant laws, rules, regulations and guidelines both at international and domestic level. Further the research explored and highlighted the significance of CSR, its proper implementation and reformation of laws. The research also found out whether any legal remedies are available to the people in case if companies do not observe the implementation of CSR regulations.

LIST OF ABBREVIATIONS.

CSR	Corporate social responsibility.
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 Nation 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.
ILO	International Labour Organization
PAF	Pakistan Alleviation Funds.
NRSP	National Rural support Program.
GCFP	Global compact Foundation Pakistan.
DG	Director General
CEOs	Chief Executive Officers
UNO	United Nations Organization
MNC	Multinational Corporation
UDHR	Universal Declaration of Human Right
HR	Human Rights

SECP	Security and Exchange Commission of Pakistan
ISO	International Organization for Standardization
UNGC	United Nation Global Compact
BOD	Board of Directors
SBP	State Bank of Pakistan
SRI	Socially Responsible Investing
SR	Social Responsibility
ICSR	Islamic Corporate Social Responsibility

General Introduction of Thesis

Corporate Social Responsibility (CSR) has become a well-known concept over the last decade and a half. Employees, government representatives, academic scholars, NGOs and international organizations have been contemplating which role they have to play in regard of CSR. Laws have been drafted that promote socially responsible behaviour by companies. International organizations have promoted principles. Companies have adopted CSR mission statements and Programmes, and are sharing their efforts through sustainability reports. NGOs have contacted companies and pointed out how they can operate in a more responsible way, and academics have analyzed all.

CSR is a subject that has links with many areas of law, including international law and European law, corporate law and corporate governance, tort law and contract law, procedural law, labour and environmental law, and criminal law. All of these areas contribute importantly to the development of CSR, and ultimately to respond to the serious challenges that this world faces.

In the West CSR has become a touchstone of corporate trust and predictor of business longevity. In Pakistan, CSR is still a buzzword for most of organizations and individuals. Businesses are in a process of attaining the internationally accepted norms of corporate social responsibility often either misunderstanding the true philosophy of CSR or ignoring it. The multinationals in Pakistan are ahead of this wave, due to their international linkages and are actually adopting the standards Followed in their head-offices in the developed countries.

In the beginning of research, there was a presupposition that laws relating to CSR activities did not exist in Pakistan. However, over the course of this research, it was

found that from labor laws to environmental laws, from voluntary guidelines to mandatory contractual obligations, CSR laws do exist in Pakistan in one form or another. At the same time, we find that a lot of work has yet to be done in this field in Pakistan as CSR is mostly equated with corporate philanthropy. For the proper implementation of CSR in Pakistan it required proper legislation related to CSR as in others developed countries because the existing laws failed to compel the corporations to fulfill corporate social responsibility. (CSR).

Literature Review

However, in the western countries as well as in USA, this phenomenon was under discussion in the 20th century, especially in the last 50 years but a lot of literature available about the concept of corporate social responsibility.

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.

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

“Corporate social responsibility the good the bad and the ugly” by American author Charles Perrow In this excellent book author described how economic, political and social forces combined to create legal revolution that create the modern corporation in U.S.A. That book also gives us historical overview of CSR.

A Review of Building social Business by Muhammad Younus According to him social business is doing business to solve a social problem without profit motive. This is another type of capitalism in which each business creates employment and good working conditions apart from solving some specific social problem. Thus, a social business is a non-loss, non-dividend, company dedicated exclusively to achieve a social goal.

The presence of this concept can be observed in the famous book “The Functions of Executive” of Chester Barnard in which he addressed the need of analyzing the legal, physical, economic, moral and social elements prevailing in the environment while making the business decisions.

Peter Drucker was probably the first who explicitly discussed about CSR in his book “The practice of management” published in 1954. He considered social responsibility as one of the eight most influential areas for setting the business objectives.

It is justified to call Bowen as the father of Corporate Social Responsibility concept in his book “social Responsibility of the Businessman” Bowen was probably the first who formally defined the corporate social responsibility as it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. Richard Posner in his book “Economic Analysis of law” establishes a strong relationship between economics and law. This book is written in conviction that

economics is a powerful tool for analyzing a vast range of legal questions. According to his theory the principle of rational maximization should not be confused with conscious calculation.

Another most prominent writer in the area of Corporate Social Responsibility is Keith Davis, who extensively wrote on this topic. According to Davis, corporate social responsibility refers to “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”.

In 1970, Milton Friedman had shown his reservations on corporate social responsibility in his book “The social Responsibility of the business is to increase its profits”. According to him, the basic purpose of the corporation is to increase the wealth of its shareholder. He also mentioned that the justification for selecting the executives by the shareholder is to take care of their interests rather than spending for social purposes.

Mohamed ‘Arafa elaborates on Corporate Social Responsibility and the Fight against Corruption, with specific references to the 2011 Revolution in Egypt.

Another article by Ahmad, S. Jaseem “Principles to practice exploring corporate social responsibility in Pakistan” that article is related to a study of CSR perceptions and practices in Pakistan. The study concludes that there is considerable divergence in CSR practice in the country. This reason that most companies have projects related to 'corporate social responsibility.

An article by Najia Siddiqui, “Social Enterprise in Pakistan” according to this article In Pakistan the main industries range from production of textiles to soccer ball manufacturing to surgical goods. There is a vast potential for using social enterprise

models in these industries to encourage better working environments and better quality products, with higher prices, as a result.

An Article by Kramer Levin “Compliance in France and the United States: A Combination of Corporate and Social Responsibility” that article focused on the mandatory status of CSR in France. In the past, French law neither mandated nor provided any material incentives for companies to embrace compliance, corporate and social challenges. But things are dramatically changing in Europe, and more specifically in France, so that there are growing similarities between French and American law in this respect.

An Article by Tineke Lambooy “Legal aspects of CSR” that article shows a strong relation between corporate social responsibility and others laws exist according to that article CSR is a subject that has links with many areas of law, including international law and European law, corporate law and corporate governance, tort law and contract law, procedural law, labour and environmental law, and criminal law. All of these areas contribute importantly to the development of CSR, and ultimately to respond to the serious challenges that this world faces.

An Article by Sarah A Altuschuller “corporate social Responsibility and the law” that article also emphasis the importance of legislation for proper implementation of CSR infrastructures. The law provides that multinational firms carrying out all or part of their activity on French territory shall establish mechanisms to prevent human rights violations and environmental damages throughout their supply chain.

Levy said that based on their assumptions consumers and stakeholders would reward firms for their support of social programs, many organizations have adopted social causes. However it's highly unlikely that consumers and stakeholders would blindly

accept such initiatives and may or may not reward organizations for such socially responsible behavior.

Research by McGuire, Sundgren and Schneeweis confirms that company needs to satisfy and stand tall to not only the claims of shareholders but also the claims of Stakeholders. McGuire; this theory primarily argues that business and corporate ethics go hand in hand and one cannot be separated from the other.

Another major thing that Sims highlights is that there is an expectation attached to businesses to be good corporate citizen and with that they also need to fulfill voluntary philanthropic, which is also known as discretionary responsibility. Not only this, but businesses needed to contribute financial and human resources to the community and to improve the quality of life.

Research Questions:

- Whether there is legal and regulatory framework for CSR in Pakistan?
- Whether the existing legal and regulatory framework has weaknesses?
- How those weaknesses can be overcome?
- Whether CSR legal and regulatory framework can be suggested in the light of Islamic perspective?
- Whether legal framework can be suggested for CSR in Pakistani perspective or not?

Objectives of the Study

- To explore the Legal and Regulatory framework for CSR in Pakistan.
- To find out the weaknesses of Legal and Regulatory framework.
- To overcome these weaknesses.
- To explore the legal and Regulatory framework in Islamic Perspective.
- To suggest the legal framework of CSR for Pakistan.

Research Methodology.

To achieve the goal the researcher adopted an inductive theoretical approach; as the qualitative study is based on explorative research. The research is primarily based on the theory concerning the Corporate Social Responsibility, stakeholder's theory, brand building and value creation approaches. The researcher explored:

- Library sources
- Method of case study is also applied.
- Legislations by different states.
- Guidelines and code of conduct issued by the (SECP)
- Reports issued by different institutions related to (CSR).

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CHAPTER NO 1.

INTRODUCTION AND BACKGROUND OF CORPORATE SOCIAL RESPONSIBILITY

“Those who spend their wealth in the way of Allah and then do not follow up what they have spent with reminders [of it] or [other] injury will have their reward with their Lord, and there will be no fear concerning them, nor will they grieve”¹.

The Holy Prophet Hazrat Muhammad (ﷺ) said that

كُلُّكُمْ رَاعٍ وَكُلُّكُمْ مَسْئُولٌ عَنْ رَعِيَّتِهِ

“.....Surely, every one of you is a guardian and responsible for his charges.”²

In the light of above Hadith, each of you are guardians, responsible and accountable for your wards and the things under your care. All Muslim is liable and responsible to his Creator (Almighty Allah) for what he himself does or fails to do—as well as for others for whom he may be responsible— and for things that he has control over. In Islam, social responsibility encompasses to all mankind i.e. Muslim and Non-Muslims alike without any discrimination .

¹ Al-Quran Chapter Albaqra (2:262)

²Sahih Bukhari Chapter Name Al-Jumuah Friday Hadith No.893

1.1 Introduction to Corporate Social Responsibility

In the western world, the concept of Corporate Social Responsibility (CSR) was developed by the corporate sector in the last decade and a half. Multinational Corporations (MNCs), Governments organizations, researchers, academicians, Non-governmental organizations (NGOs) and worldwide organizations are encouraging CSR role in corporate sector. In the world, different Laws have been introduced to improve Social Responsibility of Corporate Organizations, MNCs and others Global organizations have drafted different standards for CSR. Organizations have adopted CSR statements, proposal, programs, Plans and sharing their efforts through manageability reports. NGOs accessed to corporate organizations and drew attention to work in a more dependable manner, and scholars have considered all aspects of CSR.³

CSR is a subject that linked with other spheres of law i.e International Law, European Law, Corporate Law, Corporate Governance, Procedural Law, Contract Law, Labour Law, Environmental Law and Criminal Law. The above mentioned laws contributed to improve of CSR role in the society and eventually to erase the genuine difficulties facing by public in the world. European Law highlighted different aspects of CSRs and offering fascinating bits of knowledge.⁴ CSR has been important issues for Corporate Sector and opened doors for discussion for corporate organizations, executives', researchers, business experts and academicians from few decades. CSR guides Corporate Sector throw the lights to follow its standard towards the public. CSR gives standard conduct rules which guide the organizations

³“*Legal aspects of corporate social responsibility*”, available on <<https://www.nyenrode.nl/en/faculty-and-research/people/p/tineke-lambooy>> (Last accessed august 16, 2020).

⁴“*Corporate Social Responsibility Legal and semi-legal frameworks supporting CSR*” available on <<https://scholarlypublications.universiteitleiden.nl/handle/1887/16169>> (Last accessed august 17, 2020).

to take on useful and positive habits for the headway of the public turn of events, corporate responsibility and corporate citizenship. Social Responsibility is one of the essential elements for any organization in the present corporate business.⁵ In the Western world, CSR has made essential part of corporate trust and indicator of business. In Pakistan, CSR is a new concept for different corporate organizations and people. Corporate Organizations are struggling in a course of achieving the universally acknowledged standards of CSR and organizations frequently either misunderstanding the genuine principles of CSR or overlooking it. The MNCs in Pakistan are following the CSR Standard because of their global linkages and the norms followed in their developed nations.⁶

1.2 Corporate Social Responsibility Meanings and Definitions

Every state has specific rights and responsibilities of its citizens, residents, foreigners, aliens and other organizations and many MNCs dependable on corporate residents. Presently MNCs are contributing their responsibilities' under CSR standards for uplifting the general public for social, financial, and natural development. MNCs and local firms address the issues of general public and upgrade its people. It is MNCs and Corporate Organizations social policy to manageable market for its items for social wellbeing of general public. It is the idea of Corporate Social Responsibility.⁷

⁵ “*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 august 16, 2020).

⁶ Jaseem Ahmad, “Principles to practice exploring Corporate social responsibility in Pakistan” corporate citizenship, 1: (2006).

⁷ “*Understanding CSR- Its History and the Recent Developments*” available on <<https://iosrjournals.org/iosr-jbm/papers/Vol19-issue5/Version-6/P190506105109.pdf#:~:text=The%20concept%20of%20CSR%20evolved%20mainly%20in%20the.o.k%20Social%20Responsibilities%20of%20the%20Businessman%20in%201953>> (Last accessed august 16, 2020).

The main objectives of researches and academicians are to study CSR, in the new decade and media also highlighted CSR role in different print and electronic Medias. However Corporate Sector has plenty of scope for researchers to research innovative ideas for MNCs etc. The CSR has a long history for social wellbeing of the public at large and it is continually advancing with time to time. MNCs and organizations manage and relegate its business according to complete idea of CSR and apply it to individual hierarchical arrangements.

All corporate organizations are observing CSR standards, some trust CSR are to guarantee legitimate running of the business with no monetary fakes, some might think CSR is tied in with being responsible for environmental deterioration and some might support the magnanimous approach and think about CSR to build training and mitigate destitution. The growing importance of CSR is connected to individual responsibilities, MNCs, writers and researchers, its expanding role of CSR has influenced world to further probing the CSR significance. Academicians, writers and researchers are applying it to various aspects of CSR i.e. social, corporate, environmental issues, ethical, psychological behavior of employers, employees and developing economies etc. Owing to importance of CSR issues; scholars, researchers and academicians considered to discuss it more deeply and carefully. Different researchers, academicians, scholars and authors described CSR in their understanding. Sims defines CSR as:

*Sims explains that ethics in business is a company's unwavering dedication to doing the right thing by its employees, customers, and community to grow the economy and raise living standards for everyone.*⁸ Another influential author of the period, William C. Fredrick, defined CSR as:

*Because of their social obligations, business leaders maintain an economy that lives up to the public's high-performance standards. Furthermore, this implies that the economy's productive resources should be used to maximize social and economic well-being. In the end, social responsibility means taking a public stance on society's economic and human resources and being ready to ensure that they are utilized for broad societal objectives rather than merely serving the limited interests of private individuals and businesses*⁹.

According to available documentation, the term "corporate social responsibility" (CSR) was first used in the literature in the 1950s. There has been a rise in the 1960s in the number of initiatives to define and codify corporate social responsibility. Reputable scholar Keith Davis has written extensively on CSR for academic publications and books. In his paper, Davis describes Corporate Social Responsibility. -

The making of business choices and doing business activities by business people for motives other than those directly related to the firm's economic or technical interests.

¹⁰

The definitions above date back to the 1960s, and since then, other influential authors, including Clarence C. Walton a pioneer in the field, have revised the original concept, the writer described CSR in his book, Corporate social Responsibilities as:

⁸ "Ethics and Corporate Social Responsibility – Why Giants Fall" available on https://books.google.com.pk/books/about/Ethics_and_Corporate_Social_Resposibili.html?id=aqUNKdqMC2cC&redir_esc=y, (Last accessed August 16, 2020).

⁹ "Corporate Social Responsibility: Deep Roots, Flourishing Growth, Promising Future" available on <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4753311/> (Last accessed August 25, 2020).

¹⁰ "Model of Corporate Social Responsibility" available on <https://managementinnovations.wordpress.com/2008/12/06/keith-davis-model-of-corporate-social-responsibility/> (Last accessed August 25, 2020).

In a nutshell, the modern idea of corporate social responsibility acknowledges the close ties that exist between businesses and the communities in which they operate and the recognition that these ties must be taken into account by top executives as their organizations and the communities in which they operate work toward their respective objectives.¹¹

In the 1970s, writers like Johnson's publications pushed the notion further and revised its definitions of CSR. In the beginning, writers have only discussed the business, businessman being incorporated but with passage of time, the authors associated it with society. It should be noted that all members of society are considered stakeholders, along with customers, investors, and workers. He explained CSR as:

In this approach, social responsibility in business is the pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles; or, to put it more simply, business takes place within a socio-cultural system that outlines through norms and business roles particular ways of responding to particular situations and sets out in some detail the prescribed ways of conducting business affairs.¹²

Johnson in 1971 offered a competing viewpoint, arguing that multinational corporations (MNCs) primarily promote CSR because they believe it will increase their profits in the long term. Similarly, Johnson in 1971 offered a third perspective that he called "Utility Maximization." In it, he stated that a corporation pursues other purposes than only profit maximization, and he established the following definition:

¹¹ Clarence C and Walton, *Corporate Social Responsibility* (California, 1967), 58.

¹² "Organizational Motivations for Going Green or Profitability versus Sustainability" available on <<https://www.scirp.org/reference/referencespapers.aspx?referenceid=3197759>> (last accessed august 2,2022).

A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens.¹³

At last, Johnson further defined fourth view expressing, once the organizations gained their benefits, they would have thought as social wellbeing of society, which is significant objective CSR so far it isn't the situation. Writers and scholars gave different meanings of CSR in the 1970's and 1980's but some had delivered its definitions however it required a great deal of examination and different topics.

The definitions begun to purify in the 1970's, however, writers and academicians tried to develop it more explicit at that time. An important development of the idea occurred when organizations acknowledged climate harm. Companies have a responsibility to remedy the climate damage they have wrought. Not until the 1980s did corporate social responsibility start to be differentiated from corporate philanthropy. In the 1980s, the concept of "Corporate Social Responsibility" (CSR) emerged as an essential movement. Record revealed that there were not proper definitions of CSR in 1980's however, more exploration and endeavors required to define it. In 1990, authors overall views about CSR got changed towards the stakeholders, hypothesis and business morals theory. Authors didn't turn-down the old

¹³ "Corporate Social Responsibility: Evolution of CSR" Available on <https://www.academia.edu/5366859/Evolution_of_The_Concept_and_Definition_of_Corporate_Social_Responsibility>(Last accessed Last accessed August 26, 2020).

definitions however there were no new and clear definitions added to the writings.

Carroll expressing CSR to be:

CSR is more likely to be accepted by an ethical businessperson if it is articulated in a manner that includes all aspects of corporate responsibility. Economic, legal, ethical, and charitable duties are discussed as components of corporate social responsibility. In addition, a pyramid shape may be used to represent these four CSR categories or elements. Indeed, these obligations have always existed to some degree, but ethical and charitable roles have recently taken on a substantial role. That's according to research¹⁴

Despite writers' persistent efforts, CSR is increasingly drawing attention. Milton Friedman, a Nobel laureate, famed for his assurance that corporations' only risk is excessive output and the distribution of gains to shareholders.¹⁵ Many writers are disagreed with him. However, they are stressing that organizations need to fulfill the investors' will and other responsibilities which have less claims. The responsibility theory is additionally emphasized that business and morals can't be isolated and he requests that all responsibilities should be adjusted.¹⁶

Matten and Jeurissen featured another aspect of 'Corporate Citizenship' (CC), the idea of CC indicated that business organizations become a piece of the public entities, as typical residents have the rights and the responsibilities like an ordinary resident of the general public. It means that the every activity of the business organization to be

¹⁴ Carroll A, *Corporate Social Responsibility: Evolution of a Definitional Construct*. *Business & Society* (United states of America, 1999),35.

¹⁵ Friedman M, *The Social Responsibility of Business is to Increase its Profits* (New York Times, 1970 September), 13.

¹⁶ McGuire, J. S. "Corporate Social Responsibility and Firm Financial Performance," *Academy of Management Journal* vol. 31, 4. (1988):

activity of its organization and it shall be responsible for its own behavior.¹⁷The organization's activities influenced local residents; it fundamentally focused at the responsibility of the organization and how they are influenced by its operations. Jeurissen again gave a more conventional variant of CC. He supported that as being an individual entity from the local area, the organizations should adopt the institutional responsibility and under such responsibility organizations should start social activities. He further says that organizations should draft the common agreement of business inter alia that organizations shall be liable for the monetary strength and social responsibilities towards the responsibility of the organization.¹⁸

In modern days the several roles of business organizations and MNCs are the expanding all over the world economy and their key issue is that CSR acquiring energy. In corporate world; CSR is a developing requirement for clean corporate characters. It is stated that after waves of production, supportability and third primary concern CSR initiatives are arising in the globe. The writer further said that it has complemented that the third main concern attempts to represent three circles of supportability, the monetary, the social and the environmental.¹⁹

In the current era, CSR has gained significance development, before going through the prior ideas of CSR and it is considered that (CSR) is a cycle wherein business organizations adjust their social responsibility strategies to meet the assumptions for the inside and outside responsibilities. Organizations are under obligations towards

¹⁷ Dirk Matten, "Behind the Mask: Revealing the True Face of Corporate Citizenship" *Journal of Business Ethics*(2003): 109-120.

¹⁸Jeurissen R, "Institutional Conditions of Corporate Citizenship," *Journal Business Ethics* (2004): 87-96.

¹⁹Elkington J, *Cannibals with forks – the triple bottom line of 21st century Business*, (Capstone Publishing Limited, Oxford UK 1999),39.

both ends i.e. financial and non-money. Money related obligations show that the monetary returns for example returns on market stocks whereas non-financial returns mean working conditions of the representatives or elevation of working organizations with the providers etc.

1.3 Historical Evolution of CSR

The organizations never believed that they were accountable to the public for their responsibilities. However, in 20th century customary methodology has made sudden changing in CSR. In recent years, MNEs and business organizations have played significant improvements to their CSR strategy. The MNEs and business organizations changed their approaches to deal cultural qualities and customer interest of companies, satisfaction of customers, better supervision of the environment and responsible to the public at large for the business activities. Now a day, organizations have shifted to CSR in a more suitably manner, considering their activities, work plan and objectives can viably work on an organization's advantage. The historical advancement of CSR may be documented in the following few stages;-

At first there was a development of cultural strain against the Governments and it was viewed that business organizations and enterprises etc. were considered responsible for damages caused to the environment and society. It moved first step ahead, the Friends of Earth an International Organizations²⁰ was established and the first Earth Day was celebrated in USA in 1960s. Twenty years of earlier century, violation of rights and freedoms appeared across the world. This had created worries among the general public regarding responsibilities of MNCs and hence concept of CSR began to

²⁰ “ *Friends of the earth international* “available on< <https://www.foei.org/>> (Last access July 24, 2022).

shape. Moreover, some adverse effects of MNCs, enterprises and business organizations were noticed on labours health issues, wages, working hours and also damaged climate and environment however, some certain achievements were also memorable during this time. Currently, the advanced type of CSR occurs because it is outcome of work done in earlier century together with steps taken by organizations in same area. At this time MNCs it also damaged the climate however some settlements were noted and some rules were framed to resolve the climate issues etc. This last stage is critical because different states of the world developed a consensus amongst themselves and the states desired to work jointly due to globalization and security dangers. ²¹

In Islamic history, the concept of CSR in Muslim world is as old as Islam, the Holy Prophet Hazrat Muhammad (ﷺ) and his companions performed numerous social deeds in their life. They were of paramount importance in the early formation of the Islamic State. Before 1400 years ago, when the new Muslim migrated from Makkah to Madina whereby they had faced difficult to clean drinking water because there were few water-wells owned by the non-believers. The owners these water-wells did not allowed the Muslims to drink clean water from these well waters. Hazrat Usman (RA), the third caliph of Muslim, was an eminent businessman from the Arab, he bought water-well from the non-believers on the behest of the Holy Prophet, Hazrat Muhammad (ﷺ) and Hazrat Usman (RA) devoted it for general public of all religions

²¹ “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 May 10, 2020).

to make easy their life²² His social responsibility displayed an example of generosity for rest of the world. Early Muslims' social works were not limited for Muslims but its beneficiaries were Non-Muslim alike. At the time of second caliph of Islam Hazrat Umar bin Khatab (RA) ruled, the living standards of people elevated through his policies. Even no one was ready to receive zakat and sadqa from people or state.²³

He introduced many reforms and policies in judicial, bureaucratic, administrative, prison, postal services, land survey, child rights, combating corruption, public census, monopoly control etc. Even today many western countries followed the guidelines of Hazrat Umar bin Khatab (RA).

In Pakistan people are under obligations to pay alms, donate money (*sadqa*) to needy and poor people to uplift their social life under conventional and Islamic norms. In Pakistani society, they are under obligations to uplift for good causes either directly or indirectly for local people or generosity through charitable organizations (NPOs) and trusts established by the organizations. CSR is growing all over the world consequently CSR standards are also making progress in Pakistan. At the moment, CSR is being a piece of profit for corporate companies. Similarly the corporate organizations and enterprises working in Pakistan gave administrations and monetary resources for schooling and other welfare activities. According to research conducted and published by the Agha Khan Development Network in 1981, the total amount donated by the people of Pakistan to charitable purposes has remained constant at

²² Haseeb Qadir, Seerat Hazrat Usman Ghani RA : Biography of hazrat Usman (RA) (Akbar Book Sellers Lahore,) 21.

²³ Maulana Muhammad Yousaf Ludhyanvi, Seerat Umar Bin Abdul Aziz ((Maktaba Ludhyani Karachi, First Edition 1996) 56.

\$1.5 billion. Over 90% of corporations were integrated into their companies' procedures as reasonable endeavors rather than only as planned presents. In Pakistan the cycle is no doubt slower than the speed as compare to the developed world, yet it isn't non-existent as it would appear from the inception. The researchers and scholars prepared yearly model report of the state on CSR which is being practice in Pakistan as model. Scholars and researchers wrote academic articles and research reports on CSR and their research works fully recognized regarding CSR in Pakistan. Security Exchange Commission of Pakistan (SECP) has also framed rules relating to CSR to educate corporate organizations.²⁴The SECP rules are sometime reviewed and reported that CSR are practiced in Pakistan. The academicians and scholars focus CSR in their research articles and gain overwhelming support of CSR in Pakistan. The concept of CSR has improved and progressed from time to time, the elective translations and approaches that have arisen are displayed in the following table

²⁴ "*SECP seminars on CSR*" available on <http://www.worldtraderreview.com/news.asp?pType=N&iType=A&iID=130&siD=12&nID=26699> (Last accessed May 5,2020).

Table 1

Development of CSR concepts Period	Name of Concept	Description	Literature
1950s-1960	Social Responsibility of businessmen	<p>The responsibilities of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society</p> <p>Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behavior.</p> <p>Private contribution to society's economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends.</p>	<p>Bowen (1953) Davis (1960) Frederick (1960)</p>
1960s-1970s	Stakeholder Approach Three Dimensional Model"	<p>Instead of striving only for larger returns to its shareholders, a responsible enterprise takes</p>	<p>Johnson (1971) Carroll (1979)</p>

		<p>into account the interests of employees, suppliers, dealers, local communities and the nation as a whole.</p> <p>The concept consists of corporate responsibilities (i.e., economic, legal, ethical and philanthropic), social issues of business (e.g., labor standards, human rights, environment protection and anticorruption) and corporate actions (e.g., reactive, defensive,</p>	
1980s-1990s	<p>Three-dimensional model of principles, policies and processes</p> <p>Institutional Framework and extended corporate actions</p>	<p>Integration of the principles of business responsibility, the policies of social issue management and the process of action into an evolving system.</p> <p>Four types of corporate responsibilities (i.e., ethical, philanthropic economic and legal) were linked to three institutional levels (i.e., legal, organizational and individual), while enterprises actions</p>	<p>Wartick and Cochran (1985) Wood (1991)</p>

		are extended to assessment, stockholder management and implementation management.	
2000s	Three-domains approach New Concept	Three domains of corporate responsibilities: ethical, economic and legal	Schwartz and Carroll (2003) European Commission
		A process to integrate environmental, ethical, social, human rights and consumer concerns into corporate operations and core strategy in close corporation with the responsibility. ²⁵	

²⁵Neelam Jhawal, Shasta Gupta, "Understanding CSR- Its History and the Recent Developments," Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 19, Issue 5. Ver. VI (May 2017): 105-109 .

1.4 The pyramid of Corporate Social Responsibility (CSR):

The CSR pyramid illustrates its four tiers, the foundation of which is economic performance. Second, a company must comply with all applicable domestic and international regulations. The third obligation of a company is to act ethically, and the fourth is to be a model corporate citizen. Fourth part is related to economic responsibilities. This is the foundation upon which all others rest.

1. Philanthropic responsibilities

Be a good corporate citizen.

Contribute resources to the community improve quality of life.

2. Ethical responsibilities

Be ethical.

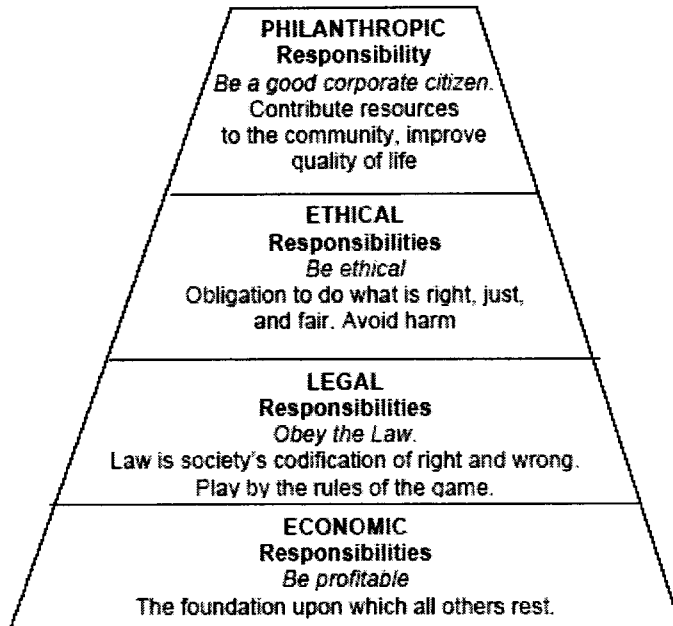
Responsibility to do what is right, just, and fair avoid harm.

3. Legal responsibilities

Obey the law.

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

The law is the formalization of morality in a given culture. Stick to the established norms.



4. Economic responsibilities

Be profitable.

The foundation upon which all others rest.²⁶

1.4.1 Evolution of Corporate Social Responsibility (CSR) theory to practice.

The evolution journey started from Corporate Social Responsibility (CSR) theory to Corporate Social Responsibility, It may be divided into following main heads:-

Pressure and society awareness

1. Tensions are rising against the corporate community.
Society-generated wave of awareness and responsibility

²⁶ Archie B. Carroll and Ann K. Buchholtz, *Business & society Ethics and stakeholder management* (United State of America, 2003)40.

3. Thirdly, Awareness of Social and Business Responsibilities.
4. Best practices in public policymaking (or the development and implementation thereof)
5. Fifthly, "The Rules' Enforcement."
6. CSR initiative program development of six
7. Assessment of CSR Performance and Compliance.²⁷

1.4.2 Significance of Corporate Social Responsibility.

Corporate Social Responsibility is developing slowly and gradually, as numbers of organizations are increasing around the world, turning their focus towards protection of environment. Multinational corporations and large businesses have long recognized the need to consider how their operations will impact the communities in which they operate.²⁸ The Companies (Business Social Responsibility) General Order, 2009, was drafted by the Securities and Exchange Commission of Pakistan (SECP) in November 2009, and its provisions were simply an introduction to CSR in Pakistan's corporate sector.²⁹ Somehow it requires some fundamental, legal and administrative changes. Record showed in a review report that 40% of organizations in Pakistan think CSR implies covering charges, 30% trust CSR is adding to local area government assistance or giving to organizations for betterment of society, 15% think CSR associates representative government assistance and 10% think CSR implies working in regions where the organization's advantages lie. Just 5% understand that CSR

²⁷ "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, 2021).

²⁸ "Corporate social responsibility" available on <<http://www.chowrangi.com/corporate-social-responsibility.htm>> (Last accessed December 16, 2021).

²⁹ Clause 3 of SECP Guidelines for CSR uses the words 'Companies are encouraged to have a CSR Policy', which displays its voluntary and non-binding character

indicates straightforwardly carrying out friendly improvement exercises and activities.³⁰ Nowadays CSR is treated as an industry by its own action. In the Western nations, consultancy firms have provided detailed guidelines to help and support heads and managers of corporations. These guidelines are beacon for enterprises and local traders to carry out CSR activities with most effective method and it also guide the social work on CSR. Consultancy firms conducted research work, inspected general work and offered customers CSR counseling. Some senior consultants and experts of world organizations openly denounced, criticized and deprecated the designing and planning of CSR work.³¹

In Pakistan, CSR is just beginning to reap the benefits of it; only few corporations and enterprises followed CSR standards and other business organizations following their own SOPs and guidelines. No need to say that business organizations delayed for long time either they are unaware of advantages of CSR or they may not like to follow CSR approach/strategies or they might have some sort of perception in their mind. The independence of the business area was featured in the (1996) then the failure of the neighborhood industry and it harmed to Sialkot's games industry.³² For proper implementation of (CSR) guidelines in Pakistan, legal regime requires gigantic legal and regulatory mechanism in corporate sector as well as in governments.³³

³⁰ "A comparative study of (CSR) of Bangladesh and Pakistan" available on <<https://onlinelibrary.wiley.com/doi/10.1002/csr.185>> (Last accessed May 6, 2021).

³¹ Asyraf Wajid iDusuki, *what does Islam say about corporate social responsibility? Review of Islamic Economics* (vol.12, No 2008), 5-8.

³² "Corporate social responsibility An overview⁷⁴" available on < <http://hubpages.com/hub/corporate-social-responsibility-an-overview>> (Last accessed August 17, 2020).

³³ "Social Enterprise in Pakistan" available on < <https://ezinearticles.com/?Social-Enterprise-in-Pakistan&id=3719262>> (Last accessed September 21, 2021).

1.4.3 Theoretical Framework of CSR (Models of CSR)

CSR is an idea that provides a structure to define and design of business associations, just conveying the level of its responsibility towards its public and society. The advanced applications of CSR relate to procedure pointed toward helping the various responsibilities of an association. These responsibilities include the representatives, clients, providers or workers hiring for local residents wherein it works. In any case, there are a few clashes against this specific model of CSR. It is important to note that there are two different schools of thought that articulate the public responsibility of business organizations. These are the financial model of CSR or the investor hypothesis of corporate administration and the financial model of CSR or the responsibility hypothesis of corporate administration.³⁴

1. The Shareholder Theory of Corporate Governance and the Economic Model of CSR

A moderate view on CSR proposes that the main motivation behind business enterprises is to earn money, create benefits and protect the interests of its proprietors or investors by reacting to advertise request through the creation of appropriate labor and products. This is customary view that the establishment of the monetary model of CSR, this model is additionally called the investor theory of corporate administration. Milton Friedman, a recipient of the Nobel Prize and world renowned corporate expert, wrote a book in 1962 "Private Enterprise and Freedom" and he gave an idea of basics monetary model of social responsibility and in 1970 a classic article printed in the

³⁴ *"Why CSR Matters: The International Banking Perspective. Paper presented at the Conference on CSR: Creating Greater Competitive Advantage"* available on <https://www.jstage.jst.go.jp/article/asafas/11/2/11_137/article/-char/en> (Last accessed August 17, 2020).

New York Times. The author advanced an idea that the main social obligations of a business are to increase its production and to help its investors by pursuing local laws of the land in which its business works.³⁵

Richard Posner, the author, in his book "Monetary Analysis of Law" considered CSR as lower cost to the organizations in ruthless market and decreased organizations benefit in the business set up. According to author it can't expect from a business enterprises to perform CSR activities. This may influence the singular tendency of investors towards beneficent obligations.³⁶ Thus it is neither a competitive nor a monopolistic market approach. Is it realistic for any business organization to voluntarily minimize its profit and enhance its social liability and responsibility? Is this tragic? It may be not so. There are following basic contradictions with this idea of CSR which are essential to be observed:-

Sub-optimization

The enterprises managers who try to produce for the market at lowest cost and to improve society both is not likely to perform well in any corporation.

Standards

How managers can decide, what is correct for community development, politically or ethically stance?

Distributive justice

Is it appropriate that the costumers paid exorbitant and high cost for products at the cost of social liability?

Substitution

³⁵ Freeman R.E, *Strategic Management: A Stakeholder Approach* (New York: HarperCollins 1984),58.

³⁶ Richard Posner, *Economic analysis of law*(Washington university school of law, 1984),93-96.

The corporations exercise SR to reduce proficiency of the shareholders at the cost of SR themselves.³⁷

According to the Shareholder Theory the main object of the business is to earn money, create benefits and protect the interest of its shareholders. It cannot expect from a corporation to perform CSR activities .

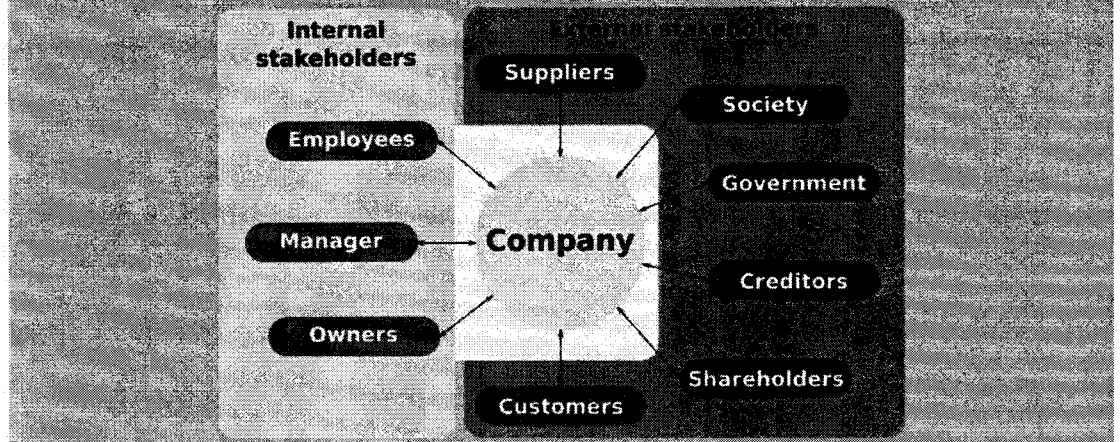
2. The Socio-economic Model of CSR or the Stakeholder Theory of Corporate Governance

Contemporary promoters of CSR state that business organizations have responsibility not only to their individual but financial supporters or investors yet also responsibility to them. Return that the responsibilities inter alia to participate the representatives, clients, providers and the local area. Basically, the responsibilities of a specific business required large number of people or organizations are either directly or indirectly influenced by its corporations activities in society. The financial model of CSR and the stakeholder theory of business administration based are on the principles of social responsibility. The followers of this theory have opined that an enterprises business affects the general public and an enterprises should be consider while deciding these activities.³⁸

³⁷ibid

³⁸ "CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A TOOL FOR VALUE CREATION: A STUDY OF NESTLE PAKISTAN" available on < <https://lup.lub.lu.se/student-papers/search/publication/1625065>> (Last accessed august 17, 2020).

Stakeholder theory



R. Edward Freeman, an American Philosopher and Business Management Professor, outlined the responsibility hypothesis in his book "Vital Management: A Stakeholder Approach" in 1984; he hold that business organizations be run on moral foundations and moral commitments.³⁹

Likewise, E. Watchman, Michael a corporate expert on aggressive methodology and a research scholar at Harvard Business School, and Mark R. Kramer, an academician at Kennedy School in Harvard University, also offered the idea of making shared worth. They contended that the strength of a business organization and the safety of the local area are certainly intermingled with each other. Observing CSR standards; getting benefits from it, make a mutually advantageous for both the business and the general public at large.⁴⁰

³⁹ Edward Freeman, *Strategic Management: A Stakeholder Approach* (Cambridge University Press, 1984),250.

⁴⁰ "Corporate social responsibility (CSR) as a tool for value creation; a study of Nestle Pakistan" available on

1.5 Sources of CSR

1.5.1 Sources of CSR in International Law

The legal structure of CSR in International Law (IL) based on NGO rules and Code of Conducts and some other legal instruments.⁴¹ These legal documents are discussed in detailed in the subsequently paragraphs. For long period of time, the CSR developed in many forms and designs in other regions of the world and it is improving regularly and uninterruptedly in the different parts of world. From beginning, it gets momentary goals and later that looking for a favorable business strategy. CSR has been currently shaped into regulations and SOPs to control of business corporations inside and the public and private society issues like poverty, employment rights, and natural distresses etc.

Recommended Practices from the Organization for Economic Cooperation and Development

Organization for Economic Co-activity and Development (OECD) Guidelines are one of the primary sources of CSR which were at first taken on in 1976 and were modified intermittently with the new one done in 2011, whenever came out, it is to be CSR rules of OECD. At this moment, 30 different States 'managers have cooperated to address social, financial, and environmental issues attached to MNEs and globalization.

<<https://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=1625065&fileOId=2435762>> (Last accessed June 12,2021).

⁴¹ "1998 ILO Declaration on Fundamental Principles and Rights at Work" available on <<https://www.ilo.org/declaration/lang--en/index.htm>> Last accessed August 27, 2020).

The OECD rules consisting of large amount of proposals, these have been framed by the states individuals and MNEs need to work in their fields for reliable business. The regions followed these rules but not limited to exposure to CSR reports, environment, battle of compensate, buyer interests and tax collection. The OECD rules lay down principles about expressing general information related to organizations. CSR rules are followed especially how it would treat its workers, how MNEs would able to contribute administrations etc. Apart from this, these rules are so comprehensive in nature that it deliberates all aspects of CSR and not limited on the MNEs. That it should not be understood to conclude that MNEs don't notice the rules of OECD. On the other hands, some rules are not followed but the OECD states have consented to maintain the guidelines and desire that MNEs may observe them in companies' work place. For many reasons organization rules contained unselfishness, humanity ethics and moral though still small voices erupting in their business. Furthermore, legal problems of the states are facing that it entered in their general affairs instead of CSR overall.

1.5.2 UN Global Compact

The United Nations initiative known as UN Global Compact is a watershed moment in putting CSR into practice (UNGC). Based on the UDHR, the DFPRW, the Rio Declaration on Environment and Development, and the UN Convention against Corruption, the UNGC offered 10 principles in 2000⁴² (UNCAC).

UNGC covered these common areas i.e. liberties, environmental issues, labor rights, etc. The principles approach organizations generally throughout the planet to respect

⁴² "United Nations Global Compact" available on <https://en.wikipedia.org/wiki/United_Nations_Global_Compact> (Last accessed October 2, 2021).

and secure basic freedom, to remove issues relating to child labor and to ensure the climate change by utilizing preliminary methodology. OECD Guidelines and UNGC Principles both have no involvement as for checking system of any organization but they are soft in nature. Even so, it remains consistent with their tendencies, both are followed with a 'review' framework where reports and audit reports indicated developments made during the past couple of years.

The ILO Declaration for Multinational Enterprises (also known as the Tripartite Declaration of Principles concerning "Multinational Enterprises and Social Policy" is another tool of international law that encourages CSR (MNE Declaration). It was first approved at the 204th Session of the Governing Body of the International Labor Organization in Geneva in November 1977 and then again in March 2017 at the 329th Session of the ILO. The Tripartite Declaration of Principles for Multinational Enterprises (MNE Declaration) outlines a few guidelines that have been useful as guidance for businesses, CEOs, workers, and governments.

Various aspects of people's working and living environments, including industrial relations, training, employment, and more, are addressed in the Declaration. Promoting the beneficial contributions that multinational firms may make to economic and social advancements is used in the MNE Declaration. Acceptance and realization of the Declaration's goals were to be achieved by passing suitable legislation in labor. The Declaration does not have any legal force. Training, working conditions, general policies, employment, etc., are all included in the Declaration. It has established rules that MNEs must follow, and Annex I and Annex II include important ILO agreements and applicable legislation. Additional guidelines or

instruments, such as the OECD Guidelines and the Global Compact of the UN system, are necessary for the Declaration to be implemented. Business and government cooperation is needed.⁴³

1.5.3 Human Rights

Principle 1: All businesses should actively work to protect internationally recognized human rights; and

Principle 2: Ensure sure they aren't helping to perpetuate human rights violations.

1.5.4 Labour

Principle 3: Firms must protect workers' rights to organize and bargain collectively;

Principle 4: Freeing people from all sorts of forced and compelled labor;

Principle 5: a complete end to the use of children as laborers; and

Principle 6: a world free of job and occupation discrimination.

1.5.5 Environment

Principle 7: Corporations should take a cautious approach to environmental problems;

Principle 8: Adopt measures to encourage more ecologically-conscious behavior; and

Principle 9: Activate the spread of ecologically friendly technology.

1.5.6. Anti-Corruption

Principle 10: Extortion and bribery are two kinds of corruption that businesses should actively combat.⁴⁴

1.5.7. NGO Guidelines

⁴³Christian Voegtlin & Nicola M, "PlessGlobal Governance: CSR and the Role of the UN Global Compact," *Journal of Business Ethics* (Published: 28 May 2014):

⁴⁴ "*United Nations Global Compact*" available on https://en.wikipedia.org/wiki/United_Nations_Global_Compact (Last accessed October 2, 2021).

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To ensure that businesses in the areas where NGOs operate are socially accountable to the communities in which they operate, these organizations came together to create NGO Guidelines (NGOs). NGOs have a powerful voice in many nations and naturally carry some weight in communities, but NGOs have no such influence. Many non-governmental organizations (NGOs) are doing good work globally, each with its own set of rules and regulations. For CSR guidelines for non-profits, ISO 26000 is the gold standard. Developed by the International Organization for Standardization for Social Responsibility, ISO 26000 is a collection of rules for identifying CSR activities and implementing them following universally accepted standards. ISO 26000 covers seven core aspects of CSR, including labor, human rights, consumer rights, climate change, community participation, and the growth of the CSR itself.⁴⁵

1.5.8 Code of Conduct

Codes of conduct, which are often given down by businesses and to which the businesses themselves make a vow to adhere, are another element of corporate social responsibility. These codes may vary significantly from one institution to the next. These codes often include a wide variety of a company's operations, including social and welfare issues, worker rights, poverty reduction, education, consumer protection, and climate change.

There was a substantial rise in Sony's assets thanks to ethical business practices and innovative thinking, as reported in an environmental report produced by Sony

⁴⁵ *“Corporate Social Responsibility: How to Get Started”* available on https://www.process.st/iso_26000/#:~:text=One%20of%20the%20fundamental%20ideas%20of%20ISO%2026000,company%20does%20to%20uphold%20principles%20of%20sustainable%20development (Last accessed October 12,2021).

Corporation's CSR in 1994. With full knowledge that corporate organization' actions have direct impacts on the communities they serve. Consumer rights, human rights, worker rights, environmental protection, etc., are only a few of the eight topics addressed in Sony's Code of Conduct.⁴⁶

1.6 Sources of CSR in Pakistan

The concept of CSR in Pakistan is a new and still growing. As it is mentioned in the previously paragraphs that the rules and regulations relating to CSR have not defined seriously. It does not describe any specific rules for business organizations which these organizations are to be followed in the country. In 1980s and 1990s the merely trusts, charity organizations and philanthropy were dealing with CSR in Pakistan (PCP 2016). Around 2000, CSR rules and regulations have been materialized into good shape and order. Owing to prevailing unsustainable, unviable and trade uncertainties, the progress on CSR is slow in Pakistan. In Pakistan; mostly the legal structure of CSR focus on guidelines given by Securities and Exchange Commission of Pakistan (SECP), corporate laws, consumer protection laws, labor laws, environmental law and Codes and Regulations mentioned in Contract and approval.⁴⁷

1.6.1 Constitution of Pakistan (COP)

In Pakistan, the supreme law of the land and very foremost instrument i.e. Constitution of Pakistan (COP) provides the concept of CSR. The Constitutional framework well-defined different articles relating to CSR. The different articles described the principles of CSR such as it abolishes all forms of slavery from the

⁴⁶“ *Corporation President CSR Policy and Code of Conduct*” available on <<https://www.gs-yuasa.com/en/csr/policy.php>> (Last accessed October 12, 2021).

⁴⁷“ *CSR Activities in Pakistan*” available on <<https://www.transparenthands.org/csr-activities-in-pakistan/>>(Last accessed February 10,2020).

country⁴⁸. The COP strongly discouraged Child Labor in its any form, it also bans the employment in any factory of children below the age of 14 years. The COP does not permit the children to employee in mine or other hazardous employment⁴⁹. Article 37 addressed advancing social justice and eliminating social ills. The COP also ensures that working mothers get maternity leave and other benefits, that children are not forced into work, and that they are not involved in dangerous or inappropriate occupations. The freedom to organize into groups is spelled forth in the Constitution as an inalienable right. These Articles of the Constitution ensure and promote the core principles of CSR and were also discussed in one of the landmark Supreme Court cases in Pakistan.⁵⁰

1.6.2 Labor Laws

In Pakistan, CSR was also addressed by the country's labor laws. Contract of employment, pay issues, working hours, paid leave, other leave entitlements, maternity protection and maternity leave, minimum age and protection of young workers, equality, trade union and employers' association regulation, Collective Bargaining and agreements, Workers' representation in the enterprise, Disputes Settlements, Strikes and lockouts, etc. are all highlighted in labor laws. More specifically, at the time of the partition of the Indo-Pak peninsula, the majority of Pakistan's legal framework, particularly its labor laws, was based on precedents set by the British and United India. Workers with 12 months of employment were eligible

⁴⁸ Hamid Khan, *Constitutional and Political History of Pakistan*, (Third Edition, Oxford University Press 2004), Article 11.

⁴⁹ *ibid*

⁵⁰ *Abdul Hakeem Khosa's Suo Moto Case*, (PLD 2014 SC 350)

for a 14-day paid vacation and other benefits under Section 49-B of the Factories Act of 1934, which the government enacted. It laid forth the various punishments that may be imposed for rule-breaking or legal infractions. It included measures to ensure the health and safety of workers of all ages, including limits on adult workweeks, special protections for children and teenagers, and more. Industrial Relations Ordinance (IRO), 2002 is another piece of law that provides and protects their rights. It is a brilliant piece of legislation that allows workers to organize into unions and serves as a forum for settling labor issues with businesses. According to the IRO of 2002, the government may set up as many Labor Courts as it sees fit to hear cases involving workers' complaints about things like wage theft, working conditions, and other matters that can be settled, awarded, or otherwise legally protected. The International obligations and commitments made by the Government under International Laws, it is one step ahead towards CSR activities which is being implemented in the country under labor law regime.⁵¹

1.6.3 SECP Code of Corporate Governance

The rules put forward by the Securities and Exchange Commission of Pakistan (SECP) center on two critical concerns for businesses: corporate governance and the authority of the board of directors (BODs). In 2002, the SECP unearthed the Codes of Corporate Governance; its primary sections deal with the Board of Directors, its members' responsibilities and appointments, the company's internal and external audits, and similar topics. In 2012, changes and updates were made to the Code of Corporate Governance. The Code's section on Decision-making by the Board of

⁵¹ The Factories Act 1934.

Directors gives the BOD's executive committee the authority to bring any complaints about the listed company's pollution, hazardous events, or other environmental issues to the BOD for consideration. Any problems that arise in the implementation of an agreement are handled by the committee of the Board of Directors. It also has purview to address charter of demands by the parties. Normally the above said issued be discussed in such meetings.

1.6.4 SECP Guidelines for CSR

Another set of standards is the CSR guidelines issued by SECP, which are more pertinent but not as legally obligatory as the documents above.⁵² According to the most recent SECP CSR guidelines, they were approved in 2013. (SECP 2013). The Guidelines are meant to foster an ethical business climate, encourage public-benefiting societal growth, prevent practices that are harmful to the public, and guarantee corporate transparency and accountability.⁵³ The BOG accepted and commended the CSR Policy as outlined in the Guidelines. These guidelines focus on poverty alleviation, education, skill development, health, anti-corruption, infrastructure, safety, climate changes and environmental concerns. The Guidelines further emphasized that all companies to allocate specific percentage of its profit or resources (about 1-2 %) and its profit will be utilized for the implementation of CSR activities. Furthermore, these guidelines expect that the companies are under

⁵² “SECP approves CSR Voluntary Guidelines 2013” available on <<https://archive.pakistantoday.com.pk/2013/02/17/secp-approves-csr-voluntary-guidelines-2013/>>(Last accessed June, 12, 2021).

⁵³ “SECP approves CSR Voluntary Guidelines February 17, 2013” available on <<https://nation.com.pk/17-Feb-2013/secp-approves-csr-voluntary-guidelines>> (Last accessed October 12, 2021).

obligations to pursue a policy of disclosure; reporting in each financial year statements, it shall report the monetary and description information relating to CSR activities.⁵⁴

1.6.5 The Companies Act 2017

Another essential law regulating the formation and operation of businesses in Pakistan is discussed below. The Companies Act 2017 is the foremost law that governs entire MNCs, local companies and corporations in Pakistan, it has 514 sections. The Companies Act 2017 is one of the comprehensive pieces of legislation in the Pakistan. It is sorry to state that in The Companies Act, there is not even a singly section refer to environment protection, social welfare, social wellbeing or other core principles of CSR⁵⁵

1.6.6 Codes of Conduct

In addition, the literature and framework of CSR in the nation benefit from the firms' self-framed codes of conduct for various reasons.

Companies use CSR policies to demonstrate their commitment to social responsibility in the hope of attracting new investors, retaining current ones, increasing staff morale, and enhancing the company's public profile. Such voluntary CSR codes developed by the companies have not contributed in society and even not attained satisfactory level.⁵⁶

⁵⁴ Ibid

⁵⁵ The Companies Act 2017.

⁵⁶ "*CSR Activities in Pakistan*" available on <<https://www.transparenthands.org/csr-activities-in-pakistan/>>(Last accessed February 10,2020).

1.6.7 Contract Provisions

Moreover, the government(s) entered into contracts the different corporations/ companies, it binds the companies to carry out CSR activities in the local areas. Under these terms and conditions of the contract, the companies are bound to fulfill their contractual and legal obligations to protect the environment, the companies ensure betterment, development and advancement of people living in the areas where these companies operated. It is essential for welfare of any country's that its natural resources and mineral should be used for public welfare and wellbeing. It is also imperative that local community received benefits from CSR activities and welfare of the people and areas should not adversely affected where these companies operated.⁵⁷

1.6.8 SBP Regulations

The State Bank of Pakistan (SBP) outlined numerous sensible regulations on the 31st of January 2009, the SBP's regulations directed the corporate banking sector to be taken into consideration for CSR activities. SBP regulations are intended for the BOG and its Managers.⁵⁸

1.7 Deriving Forces of Corporate Social Responsibility (CSR)

The concept of (CSR) is growing day by day due to its popularity. Study discloses that there are several drivers of CSR growth. Where are the demands coming from?

⁵⁷ *Abdul Hakeem Khosa's Suo Moto Case* ,(PLD 2014 SC 350)

⁵⁸ "*Corporate Conscience: CSR in Pakistan-a Study*". available on <<https://sdpi.org/sdpiweb/publications/files/Corporate%20Conscience%20CSR%20in%20Pakistan.pdf>> (Last accessed October 14, 2021).

Why are businesses engaging in CSR? What are their motivations? Companies are now involving in CSR simply to gain with these goals.⁵⁹

1.7.1 Ethical Consumerism:

Ethical consumerism is a way of shopping that prioritizes social and environmental considerations before personal gain. This method is becoming more popular nowadays.

1.7.2 New Markets: New market trends are increasing demand for socially responsible, sustainable products. These new markets trends are creating new markets centered.

1.7.3 Socially Responsible Investing (SRI): Investment choices at all levels of the company are increasingly considering ethical considerations. At least \$2.7 trillion in assets were managed using an SRI approach, up roughly 18% from 2007. Consumers aren't the only demanding CSR but investors are also considered it.

1.7.4. Shareholder Activism: Investors are bringing their social concerns, shareholder also have steadily increased their concern regarding communal and environmental issues.

1.7.5. Managers' Values: At many corporations, companies' especially smaller enterprises, the most important drivers of CSR are attitudes of business leaders, the personal values, and owner-managers.

1.7.6. Lack of Meaning at Work: Some managers are not satisfied with their work and took their work as a lightweight and insignificant. They may be successful in their

⁵⁹ "45 Forces driving corporate social responsibility" available on <<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>> (Last accessed December 17, 2021).

business organizations, however, they may not be pleased with their business activities. Hence they are turning to CSR welfare activities to get inter-self-satisfaction and moved social activities in their workplace which makes a positive impact in the life and public.

1.7.7 Employee Activism: Employees of different fields are suffering from financial, environmental, inadequacy and health issues etc. at their work places. Many employees and corporate organization are intending their own social and financial initiatives to curtail social and environmental issues within their work places.

1.7.8. CSR & Ethics Education: Importance of CSR is growing, companies send their employees to attend workshops, where they learn social obligations, ethical decision making, sustainability and other dimensions of CSR.⁶⁰

1.7.9. CSR Reporting Norms: The world's major corporate organizations published their impacts in media relating to social and environmental achievements and their social activities are driven to follow by others companies. This practice is following by smaller companies also.

1.8 Demographics:

1.8.1. Social Awareness:

In fact huge peoples are well aware of key environmental and social issues. These issues to the extent have caused serious problems to the universe. Environmental, social problems and climate threats are mostly included in modern school systems.

⁶⁰ "45 Forces driving corporate social responsibility" available on <<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>> (Last accessed December 17, 2021).

Our education systems can be played their role to include these issues in curriculums to resolve these burning issues.

1.8.2. Entitlement Generation:

New generation is add to CSR activities because they are looking for new jobs which are important, business companies that are responsible to make them respected, feel good, and appreciated. Youth are seeker demanding jobs which are to be meaningful in companies. Youth job seekers are declining, unemployment between 15 and 20% second-best job offered by some companies a better experience so they waiting for good jobs. So, the corporations which encourage the young generation by offering the jobs playing their CSR activities very well . ⁶¹

1.9 Diminished Trust in Business:

1.9.1. Financial Crisis:

The large corporation faced financial crisis which has affected trust in several industries. In 2009, around 77% of trusted businesses of Americans companies declined less than a year before, it further declined 58% and 38% in 2008 and 2009 respectively and this was the lowest level in ten years. Multinational Companies desired to recover public trust so they initiated CSR activities to boost their image and reputation in the public area.

⁶¹ "45 Forces driving corporate social responsibility" available on <<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>> (Last accessed December 17, 2012).

1.9.2. Corporate Ethics Scandals:

Many high-profile corporate scandals reported in the last decade, from Enron to AIG to Nortel. These scandals have not only lowered the business trusts but pressed the corporate organizations to be answerable, accountable and organizations promote CSR activities in the society. These scandals have created bad impacts on whole industries. Three motives which addressed to cure these problems are a) publicly showing generosity b) taking action to demonstrate long-term thinking, and c) considering the needs of their full range of stakeholders. All three of these things are key components of CSR.⁶²

Supply Chain Demands:

1.10.1. Customer's Behaviour:

Business-to-business (b2b) companies some time examined separately the demands of ethical consumers. Generally, their clients didn't have ethical buying criteria in corporations. Now, business has changed, usually many customers evaluating and examining the company products' carefully. They considered the entire supply chain while buying products.

1.10.2. Sustainable Procurement:

Ethical consumerism may be just one factor, but companies driving sustainable procurement have all types of CSR motivations. Mostly organizations are pursuing CSR activities and policies in their supply chain.

⁶² "45 Forces driving corporate social responsibility" available on <<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>> (Last accessed December 17, 2021).

1.10.3 Certification Programs:

Ethical consumerism has changed the buying trends; companies get verification of their suppliers from the social and environmental record. Many organizations have turned to certification programs which provide independent verification. One of the first and most popular of certification programs is ISO 14001. Since then other organizations also launched these certification programs.

1.10.4. Ethical Labeling Initiatives:

Ethical labeling provides the information that buyers need to take ethical procurement decisions. Sometime buyers search for ethical labeling because these labels exist on their own products which are driven to purchase ethically. This information related to products usually has social and environmental impact directly transparency and packaging motivates. The sellers are engaged in CSR and ethical labeling to improve these statistics.⁶³

1.11. Competitive Advantage:

1.11.1. Waste Reduction & Operational Efficiency:

One common fiction of CSR is that it is costly to implement in society. Even though, some companies are committed to responsible business practices despite they have desired to save money.

1.11.2. Fluctuations in Energy & Resource Prices:

Significant business risks in many industries are conservation and driving energy. It helps the companies to separate from fluctuations in resource prices.

⁶³ "45 Forces driving corporate social responsibility" available on <<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>> (Last accessed December 17, 2021).

1.11.3. Workforce Engagement & Pride:

Employees are engaged in firm to be productive and to stay with the firm. Employees share the social, environmental and ethical values of their company. This reward and award could be appreciated inside and outside.

1.11.4. Commoditization:

The globalization and technology removed market barriers and spreads all over the world consequently services sold in many industries are becoming commoditized. These have become indistinguishable from supplier to supplier viz a viz convenience, quality, price and service. Companies' are facing financial, social and environmental challenges in new ways to differentiate themselves from other competitors. The globalization and technology control greater market share. It has changed the traditional methods of marketing which are now infeasible.

1.11.5. Brand Image & Reputation:

Some companies considered CSR activities as core component of their overall branding strategy. Business companies received the positive impact of CSR activities and earned firm's reputation.⁶⁴

1.12 Technology & Media:

1.12.1. Affordable Technology:

21st century is known as technology century, in this time many technologies have been improved. Different industries adopted new methods of productions and energy efficiency, conservation and management changed industries old styles. New and

⁶⁴ "45 Forces driving corporate social responsibility" available on <<http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility>> (Last accessed December 17, 2021).

improved energies techniques appeared in the globalization i.e. renewable energy and green technology, these technologies have become more effective and attractive for buyers' cost-benefit perspective.

1.12.2. The Internet & Social Media:

Access to information is considered as fundamental right in almost all countries. The internet boosted the public's access to information; abundance of information can be gathered on internet no matter where you are and where you live? The information may be relevant to social issues, environmental, CSR activities and performance of companies etc.

1.12.3 Mobile Access to Information:

It was time when information was only available on desktop computer. Now this information can have accessed on your fingers wherever you find yourself. Mobile Technology has changed almost all person life styles whether they are young, old, child or baby. Scan the barcode of a product on your phone to see its environmental impact and the producer's corporate social responsibility (CSR) record, even while you're standing in the grocery store's dairy aisle. It has accessible to all sorts of business i.e corporate, banking, financial institutions, environmental social & CSR activities, news, etc.

1.12.4. Crowd sourcing:

Social media refers to connections among others people in way that people can share, create, exchange information and ideas in virtual communities and networks like YouTube face book, what Sapp etc. Social media has given individuals a louder voice. They have accessed to the public-at-large, it provides news, articles, views,

reports and opinion etc. Their focus is now less on reporting the facts of a story, and more on reporting public reaction.⁶⁵ The traditional media is complicit too.

1.13 Islamic Corporate Social Responsibility (ICSR)

The concept of CSR has an extensive history and took roots in the Muslim world. The basic idea of CSR and practice resides in (ICSR) from centuries ago. The companions and other Muslims followed the Holy Book (Al-Qur'an) and the *Hadith* of the Holy Prophet Hazrat Muhammad (ﷺ) in their life. They have showed their conduct according to Islamic Shariah and they focused on social responsibilities.⁶⁶ In Islam there are five pillars or basic tenets and zakat is one them. Zakat is giving donation of a certain portion to needy and poor people. The Holy Book mentioned Zakat more than 80 times. So establish Salat and give Zakat, and hold fast to Allah.⁶⁷ One who does not pay Zakat (would be spared) but (his hoards) would be heated in the Fire of Hell⁶⁸. The concepts of *Zakat & Sadaqat* are well-known in Muslim State. In the western countries, USA and other countries did not know about this phenomenon before 20th century and they discussed in the last 50 years.⁶⁹

In Islam, the model of CSR is not an alien in fact it is well defined in *Shari'ah*. Islam. The man is considered as vicegerency (*khalifah*) on the earth. The

⁶⁵ "45 Forces driving corporate social responsibility" available on <http://www.provictus.ca/blog/201002/45-forces-driving-corporate-social-responsibility> (Last accessed December 17, 2021).

⁶⁶ Zulkifl Hassan, "Corporate social responsibility: Western and Islamic Perspective" *International Review of Business Research Papers Vol. 5 No. 1 (January, 2009)*: 277-293.

⁶⁷ Al-Quran Surat Al-Haj (The Pilgrimage):78

⁶⁸ Sahih Muslim, Book 5: The Book of Zakat (Kitab Al-Zakat), Number 2163

⁶⁹ Zulkifl Hassan, "Corporate social Responsibility: Western and Islamic Perspective" *International Review of Business Research Papers Vol. 5 No. 1 (January, 2009)*: 277-293.

vicegerency (*khalifah*) means a deputy or a care taker who rules in a Muslim State exercises Almighty Allah powers as sacred trust with aim to attain the blessing of Almighty Allah for the advantage and benefit of society and state.⁷⁰ It implies a certain need for firms to introduce good CSR practices in their business connections, serious issues such as good environmental practice, occupational, health safety, socially beneficial, philanthropic contributions safety, security activities and initiatives.⁷¹ It is crucial to note that CSR and ethics are common in the Islamic State; both of them based on Islamic principles and have closely connected with each other. In the Islamic context, the word ethics is closely related to *khuluq* (خُلُقٍ) in the Quran. In Arabic (literature) there are many others words are used of moral i.e. *khayr* (goodness), *birr* (righteousness), *adl* (equilibrium and justice), *qist* (equity), *ma'ruf* (known, approved), *haqq* (truth and right), and *taqwa* (piety) etc. The above mentioned terms are being used for the positive and productive activities in a society that a social activities under CSR for its stakeholders.⁷² The Holy Book enjoins every positive activity and forbad every evil in society. It promotes and supports whatever is good and approved, and forbid whatever is evil and disapproved.⁷³

⁷⁰ Choudury, M. A. and Hoque, M.Z., *An Advance Exposition of Islamic Economics and Finance* (New York: Edward Mellen Press, 2004).

⁷¹ Asyraf Wajdi Dusuki, *What does Islam say about corporate social responsibility ?* Review of Islamic Economics (vol.12, No 2008), 5-8.

⁷² “*Islamic Work Ethics and Corporate Social Responsibility in Business Organizations: Issues and Challenges*” available on <https://www.researchgate.net/publication/324827166_Islamic_work_ethics_and_corporate_social_responsibility_in_business_organizations_Issues_and_challenges Research Article: 2018 Vol: 22 Issue> (Last accessed June 15, 2022).

⁷³ AL Quran Al-Imran, (Verse 110)

1.13.1 Islamic CSR Conceptual Framework.

The Western and the Islamic view of CSR are quite different. The Islamic view has a holistic approach which has internal peace (apparitional experience or spirituality). The apparitional experience is gained according to the Holy Qur'an and the Sunnah of Prophet Hazrat Muhammad (ﷺ). The view of ICSR offers a better and different philosophical framework for mankind and it has closed connection with nature and human (Ahmad, 2002). It serves for both nature and mankind. The view of ICSR based on moral and ethical principles is derived from the Holy Qur'an and the Sunnah of Prophet Hazrat Muhammad (ﷺ) which are more eternal, enduring and absolute (Ahmad, 2002; S.F. Ahmad, 2003). Prima facie, ICSR serves perfect guidance both for Islamic organizations while exercising business and CSR activities for public and other stakeholders. Under Maqasid al-Syariah (objectives of Shariah), Maslahah (munafa'ah) may be defined as acquisition of benefit or utility (munafa'ah) or repulsion of injury/harm (madarah), it represent human goals, welfare of humans.⁷⁴ Maslahah (munafa'ah) is an Islamic secondary source of law being used by jurists/religious scholars to formulate the underlying theoretical framework which is focal points of the study, for the ICSR policies and practices for Islamic organizations. The conceptual model is depicted in Figure 1. Islamic organizations followed the principles of CSR while formulating the CSR policies and these organizations practice in protecting the Maqasid al-Syariah (objectives of Shariah). In Islamic Jurisprudence (hifzala al-din) the preservation and protection of Deeni

⁷⁴ Imran Ahsan Khan Nyazee, *An outlines of Islamic Jurisprudence* (Federal Law House, Third Edition 2005), 185.

(religion or faith) is given higher priority than the protection of the Duniyawi (world)⁷⁵.

The business firms in framing ICSR strategies received apparitional experience according to the Holy Qur'an and the Sunnah of Prophet Hazrat Muhammad (ﷺ) which gained higher priority to promote Muslim brotherhood, virtues, self-contentment and interfaith harmony instead of social activities that received media coverage and worldly values. Under the legal framework of Maslahah, ICSR policies and practices planned for business organizations which render benefits, utility and good governance for general public in line with the ICSR mission and upholding the Syariah principles, therefore, enterprises generally frame their ICSR policies and practices with core business activities. Meanwhile, the governance frameworks of the Islamic organizations are designed to ensure good governance, social wellbeing, benefits, utility and reward life after death within the ambit of Islamic norms and in line with Syariah principles.

Islamic law is manifestation of the divines will.⁷⁶ The commands of Shariah are applicable to those who are subject of law. Islamic law is universal, namely it is not peculiar to some person to exclusion of others and operative in some condition and inoperative in others.⁷⁷ Trade and business has much importance in any society. The business firms in framing ICSR strategies received apparitional experience according

⁷⁵ Imran Ahsan Khan Nyazee, *An outlines of Islamic Jurisprudence* (Federal Law House, Third Edition 2005), 187.

⁷⁶ Ahmad Hasan, *Principles of Islamic Jurisprudence*, (Islamic Research Institute, IIUI 4th reprint 2021), 1.

⁷⁷ Ibid 154.

to the Holy Qur'an and the Sunnah of Prophet Hazrat Muhammad (ﷺ) which gained higher priority to promote Muslim brotherhood, virtues, self-contentment and interfaith harmony instead of social activities that received media coverage and worldly values. The Prophet Hazrat Muhammad (ﷺ) was known as (Truthful and Honest) Sadiq and Ameen before advent of Islam. In Islam state, Traders and businessmen are at liberty to earn through fair means and prohibiting all form of exploitation. Under the legal framework of Maslahah, ICSR policies and practices planned for business organizations which render benefits, utility and good governance for general public in line with the ICSR mission and upholding the Syariah principles, therefore, enterprises generally frame their ICSR policies and practices with core business activities. Meanwhile, the governance frameworks of the Islamic organizations are designed to ensure good governance, social wellbeing, benefits, utility and reward life after death within the ambit of Islamic norms and in line with Syariah principles. It is fact that many of the Muslim scholars were well-known traders and they were firmly following the teachings of Islam. Now it time for Muslims Scholars of the present world specially and all human beings can benefit from trade if they follow Islamic teachings can get rid of exploitation, fraud, corruption and other trade illness .

Conclusion:

Corporate companies are facing difficulties while exercising CSR activities in the corporate world. Pakistan is an Islamic country having the formal name Islamic Republic of Pakistan . In Pakistan, MNC's and domestic companies have contributed to some extent for viable development through CSR framework. The Holy Book enjoined to pay Zakat (paying alms to poor and needy) and it was mentioned more than 80 time So establish Salat and give Zakat, and hold fast to Allah. Almighty Allah and Holy Prophet ordered to pay Zakat which is donating a certain portion of wealth to needy and poor. Mostly Muslims are living in Pakistan, by culturally and religiously, rich as well as businessmen paid *Zakatto* get reward for (*Akhriat*) life after death. For all Muslims who have excess money, gold etc. it is obligatory for them to pay zakat specific amount of money once in a year, mostly they donated in month of Ramzan, one of the Holy month of Islam. In Pakistani society, people and business companies take CSR activities as enunciated Islamic principles. It is pure philanthropic activity which promoted social welfare and community development to realize civic liability and kind of social responsibility. Linked with Carroll's CSP model, this research gives the preliminary assessment of social and civic responsibility practices by MNC's and domestic companies in Pakistan.

Different MNC's and domestic companies in Pakistan followed CSR schemes' which is novice and at very early phase. Pakistani local companies and MNC's have followed and adopted CSR framework as in foreign countries where they are implementing. While some domestic companies used CSR activities as philanthropy strategic to get media coverage. In fact they pay some portion of their marketing

expenditure as philanthropy instead of focus on ethical CSR. Some local companies carry CSR activities without identifying the sustainable needs. In fact these companies are focusing on short term profit instead of long term utility.

For successful business, the companies carry CSR activities to make it as integral part, they require meeting minimum legal standards and increasing their voluntary activities. "How great the understanding of CSR as an integral part of successful business". An assessment report discloses that majority companies have not developed targets and goals to run social responsibility in their long term strategy. The companies should follow international standards while practicing CSR activities, they equipped with existing contextual realities especially ethical concern in the business and acknowledged sustainable practices.

In recent past the world coronavirus **COVID 19** has badly affected economy, health care, educations, travelling industries. Pakistan also faced many catastrophes like war on terror, earth quake losses, flood devastations; climate changes have adversely affected its economy and corporate sector. Appearance of Coronavirus COVID 19, major cities of Pakistan were lockdown and borders closures were seen around the world. There were no means of transportation during pandemic. Coronavirus COVID 19 disrupted agriculture, transportation, airlines business etc. Shortage of items around the world was seen, industries and production business declined so labors got unemployment and poverty rate increased. The schools were closed their education was badly affected in their education career. Mostly online classes were taken, the people bought grocery items through online. Current political and economic conditions have triggered an energy crisis and distracted company leaders, leading them to implement a flimsy CSR framework. A nation can't progress and prosper

without help from the private sector, and the business sector, in particular, is essential for social welfare. CSR initiatives, awareness, and sustainable practices must be effectively persuaded for the organization to impact community development positively. Pakistan has the seventh-highest population of any nation on Earth. According to the country's Labor Force Survey for 2020–21, its labor force is 71.76 million strong. Of that number, 67.25 million are employed, and 4.51 million are unemployed. In addition to having a large population, Pakistan is also the seventh most populous nation in the world. The low cost of labor and the availability of raw materials in Asia have attracted the attention of many multinational corporations (MNCs) from across the globe. Suppose these businesses in Asia implemented standard operating procedures for social responsibility and ethical business practices. Investing in Pakistan at this time would be brilliant because of the country's hospitable business climate.

There's a fantastic awareness that CSR is critical to running a successful company

CHAPTER NO 2

CRITICAL ANALYSIS OF LEGAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY IN THE DIFFERENT COUNTRIES:

2.1 Introduction

Corporate Social Responsibility (CSR) has become a touchstone of corporate sector. Numerous countries in the world have offered legal and regulatory frameworks which they facilitated their public to implement CSR activities in different countries. The legal frameworks of CSR are almost existent in UK, USA, France, Denmark and even in India.

CSR is commitments by the corporations to behave ethically and contributes to economic development, improving the quality of life of labor-force and their families. In the developed countries, CSR activities have been given a legal cover like UK, USA, France, Denmark and even in developing country like India. Though there are certain departments available to support and enforce CSR activities but CSR is a new concept for corporate sector in Pakistan.

This chapter Critical analysis of Legal Framework of CSR in the different countries will analyze relevant laws, rules, regulations and guidelines at international level. This research work will focus on how CSR activities are being implemented in developed and developing countries. The legal framework of CSR is approximately existent in the different countries like UK, USA and France etc. The purpose of this chapter is to explore and highlight the significance of CSR in context

with other countries. Particularly to analyze CSR design, departmental structure, implementation and reformation of laws enforced in the different countries. This Chapter will also throw light on CSR activities how initiated, implemented and executed in different countries UK, USA, France and India.

This research study will make it possible to understand about proper implementation of CSR activities in others developed countries, shed light on their legal frameworks, rules, regulation and state policy related to CSR. As in Pakistan, CSR legal framework is non-existing, local laws failed to compel the corporations to fulfill CSR legislation related to CSR although it is being pursued in the following different developed and developing countries:-

2.2 CSR in India:

In Indian, CSR is becoming dominant progressively in the corporate sectors. The business organizations recognized that they should build honest, reliable, trustworthy and viable relation with its public and private sector, which is indispensable to expand their business. These business organizations considered CSR as one of the main factors for their business growth. The idea of CSR is not a new idea in India, the prominent business entities like the Tata Group, Indian Oil Corporation and the Aditya Birla Group inter alia are few names which they have initiated many CSR activities to serve social wellbeing of community, civic development and they have facilitated the vulnerable people of both urban and rural cities. Some Information Technology (IT) Companies also had taken lead to initiate CSR activities in India to address the following areas:-

- 1) Education for all
- 2) Community development
- 3) Children welfare programmes
- 4) Volunteering anyone.⁷⁸

2.2.1 History of CSR in India:

A recent survey conducted by the Tata Energy Research Institute (TERI) called it 'Altered Images: the 2001 State of Corporate Responsibility in India Poll' found out that historically there are following four models of CSR in India.⁷⁹ The detail is as under:-

1. Ethical model

The first is ethical model of CR. It was found in the 19th century by corporate philanthropists like Cadbury Brothers in England and TATA family in India. They were considered as the pioneers of ethical model. Indian industrialists were under great pressure, during the time of independence to show their dedication towards social progress of society.

2. Statist Model

Statist Model appeared in India, after the Revolutionary War 1947, when Indian gigantic public and government owned companies both had accepted social and mixed economy framework. The red lines between the state-owned companies and

⁷⁸“Corporate social responsibility An overview⁷⁴” available on<<http://hubpages.com/hub/corporate-social-responsibility-an-overview>> (Last accessed December 22, 2021).

⁷⁹“Corporate social responsibility” available on<<http://www.insiderreporters.com/storypage.asp?storyID=20014487>> (Last accessed March 22, 2021).

society were clearly defined for the state's corporations. Various essential elements of CR were also well defined in labour laws and in fundamental management principles. These essential elements were closely connected with community development and terms and conditions of workers. The State sponsored corporate philosophy is still being operated in various public sector enterprises. In early 1990s this model led the big state owned corporations to privatize.

3. Liberal Model

The worldwide business movement towards privatization and de-regulation may be supported by a third model of CR. In fact these companies are to be responsible to their proprietors only. This term was coined by the American Economist Milton Fried-man. In 1958 he opposed the very concept of CR and presented overview that the ultimate goal of privatization and de-regulation is economic.

4. Stakeholder Model

The CSR activities have developed consensus among the states. It has CSR made progress in business and economic rights and improved different range of social and business responsibilities in the world. The stakeholder model of CSR brought changes in citizen and consumer campaigns against mala-fide business performance of companies towards consumers' interest in society. It has increased shareholders pressure to improve CSR activities in society.⁸⁰

⁸⁰ “*Corporate social responsibility*” available on <<http://www.insiderreporters.com/storypage.asp?storyID=20014487>> (Last accessed March 24, 2021).

2.2.2 Rural Development and CSR in India:

Approximately 65% of the country's population is living in villages. People of rural areas should be given equal opportunities of life as people are living opportunities in urban areas. In India agriculture sector has contributed almost 1/5th of its Gross Domestic Product (GDP). The Indian Government(s) have planned and initiated several social sector programs to enhance the rural development. Indian agriculture sector has gained GDP growth in agriculture sector as well as corporate sectors. Thus in India, CSR is considered indispensable for Rural Development.⁸¹

2.2.3 Voluntary Guidelines for Corporate Governance and CSR:

The business entities are practicing the different CSR models in India private sectors and it has ensured social involvement, social welfare, community development and distribution of wealth where these business companies operate their business. Ministry of Corporate Affairs (MoCA), Government of India issued guidelines titled as Voluntary Guidelines for CSR for business sectors. These guidelines have encouraged Indian business sectors & business industries to implement CSR guidelines in their respective area of business. These business entities have received dignity and reputation in Indian business sectors.⁸²

⁸¹“*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 January 5, 2021).

⁸² “*Indian Government issues voluntary guidelines for corporate Governance and corporate social responsibility*” available on <<http://www.socialfunds.Com/news/articles.cgi?sf Articleid=2857>> (Last accessed January 10, 2021).

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

The Voluntary Guidelines for CSR contained six core elements to implement by companies. These guidelines protect rights of employees, costumers' society and environment, the detail is as under:-

- 1 business industries must safeguard and protect from harm and inherent risks of all stakeholders i.e. labors, employees, suppliers, customers, project affected people, and public at large. Business industries must follow Voluntary Guidelines for CSR as strategies to reduce them.
2. Business companies should run their business functions in ethical manners. They should not practice their business malafidely or un-ethically manners i.e. unfair, corrupt, abusive, or anti-competitive.
3. The business companies should respect and protect human rights (HRs) and especially the rights of workers while practice CSR policies in their companies' premises. The business companies should ensure and provide better workplaces, career advancement, environment, and freedom of association to the stakeholders.
4. Business companies should respect HRs of all workers/employees under different international treaties. The companies should condemn HRs abuses.
5. Sustainable environmental policies should be implemented by the companies under these guidelines. The companies shall take all

possible measures to prevent pollution, manage natural resources in a sustainable manner and reduce corporate wastage materials. The companies should protect environmental by adopting cleaner production methods to halt climate change. The companies should work on energy efficiency by using renewable energy resources, and environmentally friendly technologies.

6. Finally, business companies should start social activities for social development of communities, economic wellbeing in the particularly areas where their business operations are run.⁸³

2.2.5 CSR law regime in India:

The India is one of the top most populous countries in the World map. The British India was divided into two independent countries i.e. India and Pakistan. Both countries got independence from the British rule in 1947.⁸⁴ India is the 2nd largest populated country in the world after China. As per USA official record, India has total population of 1,389,637,446 (1.38 Billion).⁸⁵ India is developing country with 8.9 GDP growth rate and its economy is sharply growing in Asia.⁸⁶

2.2.6 The Current Indian CSR Regime

Legal frameworks of CSR are almost existent in UK, USA, France, Denmark and even in India. CSR legislation is developing in the world as CSR legislations has been

⁸³“ *Indian Government issues voluntary guidelines for corporate Governance and corporate social responsibility*” available on <<http://www.socialfunds.Com/news/articles.cgi?sf ArticleId=2857>> (Last accessed January 10, 2021).

⁸⁴Indian Independence Act 1947 10&11 Geo.6. Chapter 30 Section 1

⁸⁵<https://www.census.gov/popclock/> last access on August 14, 2022

⁸⁶<https://data.worldbank.org/country/india?view=chart> last access on August 14, 2022

adopted by many countries in the world for last several years. In 2013, India was an early adopter of Section 135 of the Indian Companies Act (ICA). After that, the expansion of the Indian CSR regime occurred. Corporate Social Responsibility was first codified in India's corporate law in 2013. (ICL). In India, corporate social responsibility (CSR) calls on enterprises to actively aid societal, economic, and ecological issues. The CSR framework was enacted in Section 135 of the Companies Act of 2013. The fundamental idea underlying this section is that businesses should not only maximize profit but also make a meaningful contribution to societal, economic, and environmental causes like the reduction of hunger and poverty, the advancement of education, the mitigation of climate change, the promotion of gender equality, the improvement of health care, etc.

A) Subject of business entities.

Section 135 of the Companies Act applies to Indian's local, MNCs and foreign companies having their business in India. This Act revealed that during the immediately previous Financial Year (FY), it has

- (1) Annual fund of approximately USD 133 million (approximately INR 10 billion rupees)
- (2) net worth of at least USD 67 million (approximately INR 5 billion) or
- (3) net profit of USD 667,000 (approximately INR 50 million).

Normally, in India the MNCs are running their business through locally formed subsidiary or companies. If the local subsidiary falls under any of the ICA's parameters above, it will be subject to Section 135. If a multinational corporation (MNC) has more than one Indian subsidiary, the ICA's Section 135 compliance

restrictions do not apply to the MNC. When this is the case, only the subsidiaries that meet the conditions above will be subject to the rules of ICA Section 135. If a multinational corporation (MNC) does business in India via a branch or project office, the office's net worth or net profit, whichever is greater, will be used to determine whether the MNC is subject to Section 135 of the Indian Companies Act.

B) CSR expenditures.

The company must spend at least 2% of its average net profits earned over the three prior fiscal years on CSR activities under Section 135 of the ICA when it fulfills any financial criteria stated above. One possible name for the existing legal system is the "comply or explain" framework. Companies are subject to Section 135 of the ICA. However, if they fail to make the necessary CSR payments, all that is required of them is to explain their noncompliance in their annual board report. Currently, neither multinational nor domestic businesses face financial consequences for failing to comply.

C) Eligible CSR activities.

Schedule VII of the India Companies Act (ICA) has been amended time and again, it explained eligible CSR activities. In India CSR activities mentioned in Schedule VII of ICA. Schedule VII is generally addressing the following important social i.e. education, eradicating poverty etc. and some other betterment of public, wellbeing and development of society, the detail is as under:-

(i) Eradicating Hunger & poverty:

Eradicating poverty, hunger and malnutrition

(ii) Education,

Promotion of education, gender equality and women empowerment,

(iii) Health Care

Health care, sanitation and including preventive health care

(iv) Traditional art and handicrafts

Promotion traditional art and handicrafts and its development,

(v) Environmental

Ensuring environmental sustainability and ecological balance,

(vi) Rural development

Rural development projects and

(vii) Employment and vocational skills

Promoting employment-enhancing, livelihood enhancement projects and vocational skills program especially designed for children, women, the elderly and the differently abled persons etc.

Government of India (GOI), Ministry of Corporate Affairs (MoCA) has issued a clarification on March 23, 2020 whereincirculated that expenditures incurred to the extent (Coronaviruses Pandemic) COVID-19 come within the categories listed in Schedule VII and added it as eligible CSR activities.

With the use of their registered societies, trusts, or not-for-profit organizations, MNCs and local businesses now have the legal authority to engage in corporate social responsibility (CSR) without interference from the government. To fulfill their CSR responsibilities under the present Law, businesses are permitted to form coalitions and pool their resources.

Managing corporate social responsibility (CSR) initiatives following the ICA's Section 135 is mandatory for all businesses. Companies that aren't publicly traded on an Indian securities exchange must establish a corporate social responsibility (CSR) committee with at least two directors. Companies with shares listed on an Indian stock market must establish a CSR committee with at least three directors; at least one of these members must be independent. The CSR committee is responsible for developing the CSR policy, the CSR comprehensive work plan on CSR activities, the CSR kinds of activities, the duties of other stakeholders, and the CSR budget and follow-up process.

The CSR committee makes recommendations to the BOD, which must adopt the CSR policy and publish its details in the Annual Board Report following Section 135 of the ICA. The CSR policy will be available on the company's website. If the firm did not meet the requirements of the preceding subsection and did not spend the required amount on CSR activities, the Board of Directors' report must elaborate on the reasons for this failure.

2.2.7 CSR Pending and Proposed Requirements

The CSR regime has noticed a serious revolution in CSR India contexts because of two reasons first prima facie existing legislative framework has deficiencies and second the companies did not incurring CSR schemes prescribed amount and got shortfalls. After that, MoCA sent out notifications requesting explanations from corporations for not spending the required amount on CSR initiatives. In addition, the Companies (Amendment) Act, 2019, was revised by the Indian Parliament. Concerning Section 135, the Indian Companies Act, the Indian government (GOI)

sought to make specific changes (ICA). As a result of the change made to Section 135 of the ICA, India is the first nation in the world to punish businesses for failing to participate in corporate social responsibility (CSR) initiatives or charitable giving. The government of India has changed the CSR regime under the ICA from "comply or explain" to comply or be punished. However, the ICA Amendment has not been implemented as of yet. Since the transformation, businesses have prioritized CSR initiatives and charitable giving. Key points of Section 135 of ICA are as follows:-

- The concerned companies must spend at-least 2% of average net profits made during the 3 immediately previous financial years (the "Minimum CSR Amount") on CSR initiatives in accordance with the company's CSR policy;
- If the companies un-spent CSR amount for ongoing projects at the end of the Financial Year then its funds would be transferred to a special "CSR accounts "Unspent CSR Account" within 30 days maintained by the company.
- The Unspent CSR Account will be required to spend by the company for CSR policy within three FY with effect from transfer of the account;
- if the company fails to spend prescribe amount, the unspent CSR Account within the prescribed period of three-years, the unspent amount will be transferred to a CSR fund established by the GOI (the Government CSR Fund), within thirty days from the date of completion of the third FY;
- If the amount was not spent to CSR relate ongoing project in a year i.e. FY, the company must transfer its unspent amount to the Government CSR Fund within 6 months at the end of its FY.As per latest amended in

CSR provisions, the company may also be fined up-to INR 2.5 million (approximately USD 33,500) for non-compliance of CSR ongoing projects. Furthermore, in case of default each officer of the company could be fined up to INR 5 million (approximately USD 67,000) and officers also be punished with imprisonment for a term of three years.

In pursuance of the Amendment in ICA, the GOI issued the Draft Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020 (the Draft CSR Rules).The Draft CSR Rules have not been approved by the legislature but these draft CSR rules were openly publicized to discuss it all major stakeholder of the society to analyses and criticize with the objectives to improve Draft CSR Rules with the indulgence of the society.⁸⁷

2.2.8 CSR amendments under the Companies (Amendment) Act, 2019

Up to now, if a company fails to spend fully CSR funds in a FY then the unspent amount will be carried forward and it would be incur on CSR ongoing projects in the next FY along-with the money already allocated for previous year. With the CSR amendments made under the ICA, the companies are required to deposit the unspent amount into CSR funds, owned by GOI, as fund prescribed under Schedule VII of the Act within the end of the FY. This CSR amount must be utilized within 3 years with effect from the date of transfer, in case if company fails the fund shall be deposited to the specified funds by GOI. In case of defiance, the new amendment made in ICA

⁸⁷ “Draft CSR Policy Amendment Rules 2020” available on <https://csrbox.org/India_CSR_news_Draft-CSR-Policy-Amendment-Rules-2020_542>(Last accessed March 21,2021).

imposed pecuniary penalty and punish with imprisonment for the default. The pecuniary penalty starts from INR 50,000 (US \$700) up to INR 25 lakh (US \$35,000). In case of company default is caused by company officer, he may also be liable to imprisonment which may extend to three years, or a fine which may extend to INR 5 lakh (US \$7,023), or both. The GOI is thinking to revise CSR rules with the involvement of different stakeholders of corporate industry to improve CSR rule to discuss strict regulations particularly breach of CSR an imprisonment sentence for three years and it is yet to operationalize.⁸⁸

2.2.9 Practices of CSR in India

In the last decade, India economy is growing with the backing of private sector. India's local, gigantic business companies, MNCs and FDI. These public and private sectors have contributed Indian economy and CSR initiatives. In 1990's GOI introduced liberalization policies, after that India foreign companies have started invested huge amounts through Foreign Direct Investment (FDI). India GDP growth rate improved due to rise of the MNCs and private business sector in the country. Private sector, local and foreign companies have played very important role in the Indian economy as well as CSR programs.

⁸⁸ "The Companies (Amendment) Act, 2019 Introduced in India: Mandatory CSR among New Provisions" available on <<https://www.india-briefing.com/news/companies-amendment-act-2019-india-mandatory-csr-new-provisions-19082.html>> (Last accessed September 3, 2021).

2.2.9.1 List of Major Private Companies of India

There is long list of renowned Private Companies of India which have contributed in India's economy, some of them have launched CSR programs in the country, below mentioned are the names of some of leading business entities that have initiated CSR programs:

Tata Group	Ultratech Cement
Mahindra & Mahindra	ITC Group
Reliance Industries Limited	Tata Consultancy Services (TCS)
Infosys Technologies Ltd	Wipro Limited
Bharti Tele-Ventures Limited	Hindalco Industries Ltd
Hindustan Lever Limited	ICICI Bank Limited
Housing Development Finance Corp. Ltd	TATA Steel Limited
Ranbaxy Laboratories Limited	HDFC Bank Ltd
Tata Motors Limited	Larsen & Toubro Limited (L&T)
Satyam Computer Services Ltd.	MarutiUdyog Limited
Bajaj Auto Ltd.	HCL Technologies Ltd.
Hero Honda Motors Limited	

CSR is one essential element of Companies Act of India (CAI). In India, Section 135 of the CAI set forth that CSR is mandatory provision for local and MNCs companies. The both companies are working on different CSR programs in different parts of India, detail of some huge companies are as follow:-

i) Tata Group

The TATA group is one of the renowned businesses Group in the World, which operates in more than 100 countries across six continents. The Tata Group 150 years old conglomerate in India, founded by Jamsetji in 1868.⁸⁹ Normally the companies are established to make money for stakeholders or create value for the society and Tata group has created value of the world as well as to the society. Tata group carries out various CSR projects, most of which are employees' welfare, social involvement, poverty alleviation programs, community wellbeing and social development. Through self-help groups, it is involved in women empowerment activities, rural community development, income generation and other social welfare programs. Tata Group provides scholarships and endowments for numerous institutions to the poor students in the field of education.

This group is also involved in various CSR programs such as healthcare projects, immunization, child education and creation of awareness of AIDS. Other fields where Tata group has contributed in Indian society are economic empowerment through

⁸⁹ “Tata Group” available on <<https://www.tata.com/business/overview> last accessed 13-08-2022> (Last accessed September 22, 2021).

agriculture programs, climate changes, environment protection, providing sports scholarships, infrastructure development such as hospitals, research centers, educational institutions, sports academy and cultural centers.⁹⁰

ii) Ultratech Cement

UltraTech Cement Limited is the cement flagship company of the Aditya Birla Group in India. The company deals in manufacturer of grey cement, ready mix concrete and white cement in India. The company is involved in social welfare and development across 407 different villages of India. The aims and objectives of the company are to create sustainability, invocation and self-reliance⁹¹. The company initiated CSR activities particularly on healthcare, education, infrastructure, environment, family welfare programs, social welfare, and sustainable livelihood. UltraTech Cement organized immunization programs, medical camps, school enrollment, sanitization programs, water conservation programs, plantation drives, organic farming programs and industrial training.⁹²

iii) Mahindra& Mahindra

Mahindra & Mahindra launched its business journey in 1945 with the steel business. With the passage of time, M&M expanded to 22 other key industries i.e. agricultural,

⁹⁰ “ *Tata sustainability Group*” available on <<https://www.tatasustainability.com/SocialAndHumanCapital/CSR>>(Last accessed June 8, 2022).

⁹¹ “ *Ultratechcement Group*” available on < <https://www.ultratechcement.com/about-us/overview>> (Last accessed September 21,2021).

⁹²“ *Current CSR practices of the firms in India and abroad*”available on <<https://theintactone.com/2018/05/05/csr-u3-topic-1>> (Last accessed June 8, 2022).

Information Technology, alternate energy and communities etc.⁹³ Indian Automobile Manufacturer Mahindra & Mahindra (M&M) was established the K. C. Mahindra Education Trust in 1954, followed by Mahindra Foundation in 1969 with the purpose of promoting education. The company particularly focused on education programs to support poor, underprivileged people and to improve social and economic well-being Of poor people in India. The company has initiated 33 CSR programs for promotion of education, 14 youth skill programs, 34 environmental & rural Development Programs, 31 healths, 11 women's empowerment and other 39 COVIC and Sehat etc programs.⁹⁴ The Company will incur majority of its budget in long term and great impact projects of girls' and women's empowerment, and supporting the environment. The Company supports the local needs of its people. M&M runs programs such as Nanhi Kali focusing on education for girls, Mahindra Pride Schools for industrial training, and Lifeline Express for healthcare services in remote areas of the country.⁹⁵

iv) ITC Group

ITC Group runs its business in hotels, FMCG, agriculture, IT, and packaging sectors. This group is focusing on creating sustainable livelihood and environment protection

⁹³ "Mahindra & Mahindra Group" available on < <https://www.mahindra.com/about-mahindra-company>> (Last accessed August 13, 2022).

⁹⁴ "Corporate Social Responsibility Policy MM Ltd Annexure 1-CSR projects of M&M Ltd. (2021-2022)" available on < <https://www.mahindra.com/resources/pdf/csr/MM-Ltd-CSR-POLICY-2022.pdf>> (Last accessed on September 22, 2021).

⁹⁵ "Mahindra and Mahindra CSR Activities" available on < <https://www.avinashchandra.com/mahindra-and-mahindra-csr-activities>> (Last accessed October 2, 2021).

programs. The group has been able to generate sustainable livelihood opportunities for six million people through its CSR activities. Their E-Choupal program, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers. The group's Farm Forestry Program assists farmers to transform their wasteland to pulpwood plantations. Social empowerment programs through its micro-enterprises or loans schemes have created sustainable livelihoods for over 40,000 rural women in India.⁹⁶

2.2.10 An overview of Section 135 of the Companies Act India

Law / Country	The Companies Act (The Companies Act, 2013, amended 2015 and 2017) Section 135 (India)
Goal	To launch CSR programs in India by prescribed amount in CSR initiatives.
Adoption / Status	On 29 th August 2013, the Companies Act of 2013 received the approval of the President of India. This ICA introduced the Section 135.

⁹⁶“The ultimate report on CSR of ITC Limited By Kasmin Fernandes” available on <<https://thecsrjournal.in/itc-csr-report-india/>> (Last accessed May 4, 2021).

Issue Addressed

Schedule VII of ICA is addressing the following important social issues i.e. education, eradicating poverty etc. and some other betterment of public, wellbeing and development of society, the detail is as under:-

- (i) **Eradicating Hunger & poverty:**
- (ii) **Education,**
Promotion of education, gender equality and women empowerment,
- (iii) **Health Care**
Health care, sanitation and including preventive health care
- (iv) **Traditional art and handicrafts**
- (v) **Environmental**
Ensuring environmental sustainability and ecological balance,
- (vi) **Rural development**
Rural development projects and
- (vii) **Employment and vocational skills**

Covered Entities

This law provides autonomy to MNCs and local companies to carry out their CSR activities freely through their own registered societies or trusts or besides or not-for-profit companies.

- (1) annual fund of approximately USD 133 million (approximately INR 10 billion rupees)
- (2) net worth of at least USD 67 million (approximately INR 5 billion) or
- (3) Net profit of USD 667,000 (approximately INR 50 million).

How It Works

BODs governs company affairs

Mandatory?

Yes

CSR Committee

Subject companies generally are required to have a CSR Committee of three or more directors. At least one of these directors generally must be independent, unless stated otherwise in Section 149(4) of the Companies Act. This Committee must:

Under to Section 135 of ICA, the Board

of Directors (BOD) of a company shall consider the recommendations made by the CSR committee and approve the CSR policy, disclose the contents of CSR policy in its Annual Board Report. The company will publish/upload the details of the CSR policy on its website. BOD governed the following topics:-

- formulate and recommend CSR Policy
- indicates different activities to be undertaken by the company;
- recommend and approve expenditure to be incurred on CSR activities; and
- implementation of CSR Policy in the company from time to time.⁹⁷

In case companies are not listed with Securities Exchange in India, they must have a CSR committee comprising of two or more directors of companies

Penalty

In case of default, the company may be impose fined from INR 50,000 (US \$700)

⁹⁷ “CSR Legislation” available on <<https://www.aim-progress.com/storage/resources>> (Last accessed October 10,2021).

up to INR 25 lakh (US \$35,000).

CSR IN United States of America

2.3 Introduction: CSR law regime in United States of America (USA):

The United States of America (USA) is the 3rd largest populated country in the world after China and India. Official record of USA shows that it has 332,838,183 populations.⁹⁸The USA is the world's leading economy in term of GDP and its GDP figure in the first quarter of 2022 was \$6,212,952 million⁹⁹.

The USA business companies are not properly regulated in USA for CSR programs, these business companies initiated programs for labor, employees and other stakeholder. In-fact, there are a few provisions relating to CSR or social welfare of people. In the USA, the idea of CSR came up at the beginning of the 20th century. At that moment, the business corporations were overgrown and become very powerful in the USA society. The different important stakeholders of USA society i.e. labors, employments, youth etc. protested against huge corporations for their anti-social and anticompetitive practices in their business. The intellectual, scholars and critics had given some clues to control these gigantic corporations. These scholars and critics pointed out that time required to change the enactments particularly relating to consumer protection laws, antitrust laws, banking regulations etc. In USA, the people used to observe strikes against their malpractices, uprisings, boycotts and

⁹⁸<https://www.census.gov/popclock/> last access on August 14, 2022

⁹⁹<https://countryeconomy.com/gdp/usa> last access on August 14, 2022

demonstrations against big corporations. As result, a few proprietors and business executives comprehend and foresaw that corporations have to spend their profit voluntary for welfare of their stakeholders, use their power and influence for betterment of social purposes, labour, employees and society instead of profit making alone. Some of influential, wealthier and eminent business leaders appeared as great philanthropists in USA, they spent their money to noble cause of education and other charitable institutions, steelmaker Andrew Carnegie is one of them.¹⁰⁰

2.3.2 CSR Legislation in U.S.A.

The USA Congress (House of Representatives, Senate and the President) passed the Sarbanes Oxley Act (SOA) on 25th July, 2002. SOA was designed that public companies to be answerable for auditing in USA. Before this law, public companies were known for poor working in auditing. The USA legislatures have created a quasi-public for a to oversee and regulate public companies.¹⁰¹Section 406 of the SOA is controls public companies. It expressly provides code of ethics for public companies to practice in their business affairs through their chief financial officers, chief accountants and chief executives.¹⁰²

2.3.3 CSR Reporting in United States:

In USA, CSR reporting is not regulated before enforcement of SOA and the essential framework for CSR reporting is missing in corporate sector. These reports have been

¹⁰⁰James E. Post et al., Business and society corporate strategy, public policy, Ethics (New York san Francesco, 1975), 59.

¹⁰¹ John, C. Coates(2007). Journal of Economic Perspectives-Volume 21, -Pages 91–116 IV

¹⁰²“Global corporate social responsibility disclosure legislation” available on<<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf>> (Last accessed January 15, 2022).

used and given numerous names and styles under the CSR reporting, these may be divided into following categories:-

- Social reports,
- Carbon reports,
- Climate change reports,
- Triple bottom-line reports (*to measure the social, financial and environmental performance of the company*),
- Environmental reports and
- Sustainability reports etc.

The USA issued a few reports on CSR as compare to others developed countries in the world. In USA, there is a lack of formal requirements for any organization corporate sector to disclose its CSR non-financial data or issue CSR reports. At the moment, public corporations/companies in developed countries such as Norway, the Netherland, Sweden, Denmark, Australia and France etc. are under obligations to issue environmental reports. In 2005, about 90% of Japanese Companies and about 71% of (United Kingdom) U.K Companies issued CSR reports and only 32% of U.S.A companies have CSR reported. In the USA the companies are under SOA obligation to disclose CSR reports. Despite the fact that lack of regulations, more business companies are issuing different reports for many other reasons. So, we can

say USA needs proper rules and regulations related to CSR to improve its level of CSR reporting .¹⁰³

2.3.4 Legal Requirements have flourished in USA

The last many years in USA, CSR is passing through transitional from “a nice to have” to “a compliance requirement”. During this period, the companies have adopted USA regulations in their CSR reporting and these regulations are being practiced by the public listed companies in USA. These regulations have divided into three different buckets and these are generally overlapped with each other(s):-

- (a) Disclosure-only, it requires the companies to discuss a particular issue, whether and how they address it;
- (b) The companies are required to address CSR issues and put its compliance programs
- (c) Trade-based regulations.

The large business organizations are implementing and reporting their CSR related activities as per the USA policies and voluntary instruments. The companies are also implementing the formal accreditation systems and soft laws to stimulate their businesses. Currently, the US Government and its several other agencies provide guidelines and these agencies are employing CSR programs for protection of corporate citizenship, human rights, anticorruption, labor rights, energy, environment, health care and social welfare among other issues.

¹⁰³“*Corporate social responsibility reporting in the United States*” available on <<http://commons.emich.edu/mchair/vol1/iss1/6>> (Last accessed october 12, 2021).

i. 2015 U.S. Federal Acquisition Regulation Anti-human Trafficking provisions:

USA had made Human Trafficking illegal in 2000. The USA Federal Acquisition Regulation (FAR) anti-human trafficking bill was passed in 2015. Its provisions, prohibit specified human trafficking conduct in connection with USA Federal contracts .Under certain circumstances, it requires a compliance plan to implement CSR and issue certifications to be business companies.

ii. U.S. A. Trade Facilitation and Trade Enforcement Act 2016.

The USA Trade Facilitation and Trade Enforcement Act 2016 passed by the USA Congress in 2016. Sec. 201 of the above said Act speaks about Interagency Import Safety Working Group¹⁰⁴. The Act was repealed the “consumptive demand exception” to the Tariff Act. This exception allowed the imports of goods into the United States it banned companies using forced labor.

iii. Welsh Code of Practice for Ethical Employment in Supply Chains:

Welsh Code elaborates on procurement, tendering and contract, supplier selection and supplier management .The goals of this code ensure that the workers of public companies and supply chains are to be employed ethically. In compliance with code, the companies are required to follow the U.K., EU and international laws. Although it is not binding legislation for business entities, however, the Welsh government has designated that it expects that public companies, those are involved in supply chains businesses should adhere to the Code.

¹⁰⁴<https://www.congress.gov/bills/114/congress/house-bill/644/text> last accessed on August 20, 2022.

2.3.5 Leading companies in USA

CSR is an essential and vital element for any society. In a recent study conducted by Deloitte that 93 percent of business leaders said they believe companies aren't just employers, but overseers of society. In addition to it, 95 percent companies reported that they're planning to take a stronger stance on large-scale issues in the coming years and devote significant resources to socially responsible initiatives¹⁰⁵. CEOs turning their focus to the long term, it's important to note that they can do in their career to make an impact in the society¹⁰⁶. The companies are working on different CSR programs in different parts of USA, some big companies are as follow:-

1. Lego's Commitment to Sustainability
2. Sales force's 1-1-1 Philanthropic Model
3. Ben & Jerry's Social Mission
4. Levi Strauss's Social Impact
5. Starbucks's Commitment to Ethical Sourcing

2.3.6 U.S. Countering America's Adversaries through Sanctions Act 2017:

U.S. Countering America's Adversaries through Sanctions Act 2017 was passed by the USA Congress in 114th Congress Session and approved on 2nd August, 2017.

¹⁰⁵“ *The rise of the Socially Responsible Business, Deloitte Global's societal impact survey*”
<<https://www2.deloitte.com/global/en/pages/about-deloitte/articles/societal-impact-survey-deloitte-global.html>>(last accessed on AUGUST 20,.2022).

¹⁰⁶ Ibid

¹⁰⁷The Act creates a presumption that goods, wares, articles and merchandise mined, produced or manufactured wholly or in part by the labor of North Korean nationals or citizens, wherever located, is forced labor. As a result, under the Tariff Act, the goods will be denied U.S. entry absent clear and convincing evidence that they were not produced using forced labor.¹⁰⁸

The USA Congress (House of Representatives, Senate and the President) passed the Sarbanes Oxley Act (SOA) on 25th July, 2002.

Section 406 of the SOA is controls public companies

2.3.7 Overview Section 406 of the Sarbanes Oxley Act (SOA) United States

Overview	United States
Law / Country	Section 406 of the Sarbanes Oxley Act (SOA) United States (United States) (the Act)
Goal	The Sarbanes Oxley Act was designed that public companies to be answerable for auditing in USA. Before this law, public companies were known for poor working in auditing.

¹⁰⁷<https://www.congress.gov/bills/115/congress/house-bills/3364/text> last accessed on August 18, 2022.

¹⁰⁸“US Law and CSR Implementation” available on <https://lawexplores.com/us-law-and-csr-implementation/> (Last accessed JUNE 5, 2022).

Adoption / Status	The Act was signed by the the than President George W. Bush on July 30, 2002 ¹⁰⁹ .
Issue Addressed	The act is the most far-reaching reforms of American business practices.
Covered Entities	The USA legislatures have created a quasi-public fora to oversee and regulate public companies. ¹¹⁰ Section 406 of the SOA is controls public companies.
How It Works	
Mandatory?	Yes.
Benefits	The SOA helped the businesses to improve their financial management by strengthening controls, improving documentation standardizing processes, and creating stronger board oversight. The Act increased investor confidence in USA

¹⁰⁹ “Sarbanes oxley Act” available on <<https://www.techtarget.com/searchcio/definition/Sarbanes-OxleyAct#:~:text=The%20Sarbanes%2DOxley%20Act%20of,errors%20and%20fraudulent%20financial%20practices>> (Last accessed on AUGUST 29,-2022).

¹¹⁰ John, C. Coates “ *Journal of Economic Perspectives*” Volume 21,(2007)-Pages 91–116 IV

Enforcement

The Securities and Exchange Commission (SEC), including the Securities and Exchange Act of 1934 and the Investment Advisers Act of 1940 enforces the Sarbanes-Oxley Act.¹¹¹

Target areas

The main areas that the Act is focused on CR, Increasing criminal punishment, Accounting regulation and new protections

¹¹¹“*Sarbanes oxley Act*” available on <<https://www.techtarget.com/searchcio/definition/Sarbanes-OxleyAct#:~:text=The%20Sarbanes%20Oxley%20Act%20of,errors%20and%20fraudulent%20financial%20practices>> (Last accessed on AUGUST 29,2022).

CSR IN UK

2.4 Brief introduction of United Kingdom (UK):

The United Kingdom (UK) is the historic countries of England, Wales and Scotland, as well as Northern Ireland. UK total population is 62.8 million and its total area 242,514 sq km (93,638 sq miles)¹¹². The UK former British Empire had been ruled about a quarter population of the world, including subcontinent of Asia India, Pakistan etc. subcontinent of Africa, USA and Australia and the British Empire ruled over about 400 million of people.¹¹³ The British Empire had been ruled about 200 year over Europe, Asia, Africa North America South America and Australia.

UK parliament is one the oldest in the world and it is famous for both modern parliamentary democracy and the Industrial Revolution¹¹⁴. Her Majesty Queen Elizabeth II ascended to the throne of the UK. In 1973-1974, the UK joined the European Economic Community currently known as European Union (EU). Recently after a referendum vote by people of UK, the UK independently left the EU as member in 2020.¹¹⁵

The UK is a one of important member of the Group of Eight (G8) industrialized nations and UK has a robust economy market in the world. Group of Eight (G8) is a group of eight industrialized nations. In 1975, the world had faced oil crises and stock

¹¹²“ *United Kingdom country profile* ” available on < <https://www.bbc.com/news/world-europe-18023389>> (Last accessed August 20, 2022).

¹¹³<https://www.nationalarchives.gov.uk/pathways/census/events/britain3.htm#:~:text=In%201901%20Britain%20ruled%20about,Africa%2C%20the%20Americas%20and%20Australasia> Last accessed on 20.08.2022.

¹¹⁴ Ibid

¹¹⁵ Ibid

markets were crashed in the World .Initially five key nations France, Germany, Italy the UK, and the USA constituted this group to discuss purely financial issues. Later on Japan, Canada and Russian joined this group¹¹⁶. The alliance of above 8 nations is known as G- 8.¹¹⁷

London is the capital of UK, it has been remained the largest financial hub of EU. The UK has hegemony in some business areas of the worldwide. The UK's business model is well defined and influential in the EU and the world. After a referendum vote by people of UK, the UK unilateral left the EU as member in 2020.

2.4.1 CSR in the United Kingdom (UK):

The concept of CSR envisioned in the ethical approach by number of business companies in the UK and the companies run their business affairs in an ethical manner, especially companies were engaged in welfare of their employee and labors. The government of (UK) initiated several social programs in 2014. During this period, the philanthropic approach by UK companies and their proprietors laid the foundations of CSR in UK. It is generally and universally understood that, companies shall respect national and International obligations, these companies shall work in sensible and responsible manner relating to their activities in different corporate sectors.¹¹⁸

In the past few decades, in the Western democracies a new development has been made that companies are under moral duty to return-back something to society. The

¹¹⁶<https://www.worlddata.info/alliances/g8-group-of-eight.php> Last accessed on August 20, 2022.

¹¹⁷ Ibid

¹¹⁸“*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, 2022).

companies have changed their business approach and created awareness in the society. Now a day, if the company makes a useful contribution to the society, it will be considered as good socially responsible company. The companies have taken different steps where they operate their business and have established the fact that they have keen interest to take care of its people and environment.

2.4.2 CSR Reporting

The CSR reports are one of the essential tools to show that how much these companies are caring UK peoples and its environment. Furthermore traditional annual reports have become part of annual financial reports now that has just ended and they desire to continue to be even more so in future periods to report CSR activities. While reporting on CSR activities, the comparative analysis of different CSR reports indicates that there are two types of practices adopted by companies in the UK industries. First type of companies issues separate reports for CSR activities while the second type of companies provides a section in their annual reports for providing information on CSR activities. One thing is common in their reports that all companies recognize the immense benefits of their policies that are arisen from their CSR activities. The study revealed that the UK CSR reports disclosed companies' information about the valuable contributions in the society which have been made in four main areas i.e. environment, marketplace community and workplace.

The case studies of UK two renowned companies in marketing sectors and the iron & steel has revealed that currently the general businesses outlook of big companies of UK towards CSR is gradually growing, however, some progress is made in CSR activities by the UK corporate sector. Corus, the key steel manufacturing company of UK focuses on educational projects i.e. developing curriculum, supporting teaching

materials for schools, the environment, health & safety for laborers employees and workforce of its company.¹¹⁹

2.4.3 CSR disclosure legislation:

In UK lawmaking, there are some specific sections available which take care of CSR in its corporate sector. The detail is as under:-

The Personal and Occupational Pension Schemes (Miscellaneous Amendments) Regulations 1999

In 1999 parliament approved the Pension Disclosure Regulation requiring that all trustees of U.K. Occupational Pension Funds to make a statement on the ethical and environmental principles. While making investments in UK under this regulation, it requires that the trustees shall consider social welfare of its people in their investment¹²⁰. This includes social wellbeing of people environmental protection or ethical considerations are considered in the selection, retention and realization of investment. Now the UK government is finalizing company law to resolve issues include social, environmental and ethical issues in their annual reports which is in the interest of all existing shareholders.¹²¹

¹¹⁹ "CSR in France, Germany, Hungary and the United Kingdom" available on <<http://www.enrofound.europa-eu/emcc/content/source/eu03002a.htm>> (Last accessed January 16, 2022).

¹²⁰ <https://edm.parliament.uk/early-day-motion/16556/pensions-disclosure-regulation> Last accessed August 15, 2022

¹²¹ "Global CSR disclosure legislation" available on <<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf>> (Last accessed January 15, 2022).

2.4.4 CSR policies in UK:

In the early 1980, since the corporate industry has de-regulated and the privatization of public companies. The business was mostly regulated by government to describe the framework for responsible business practice without existing any legal requirements. In 1980, the de-regulation of the industry and the privatization of public entities, regulatory framework got change from the government to private sector, and role of business entities was given rules inter-alia to act responsible business practice. Though, UK government assigned to a Minister of CSR special task to oversee CSR policy. The role of Ministers is inter-alia to frame CSR public policy and policy decision to support best CSR practice in UK. Since government role was curtailed and corporate sector's roles were enhanced in UK. The expectations from big business entities are very high therefore they are to be engaged to pursue best practice. Consequently the locally, foreign companies and many MNCs had shown best practice in-across UK. These companies' have made plenty progress in the growth of CSR practice.¹²²

2.4.5 Main CSR actors in U.K.

1. Business in the community.
2. Lead international.
3. Accountability.
4. Ethical Corporation.

¹²² "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, 2022).

5. London Benchmarking Group.
6. Corporate Citizenship.¹²³

2.4.6 Degree of Public awareness about CSR:

In U.K, the business programs of companies are marketing more effectively and ethically hence mostly people of UK are well aware of CSR concept. In recent years, consumer's awareness and consumer's realization have also been increased as companies are accountable to the public for their business practices. A research was conducted in 2005, according to it, 78% of the general public liked to know that companies' responsibility towards communities, employees, customers, and the environment.¹²⁴

2.4.7 UK Legislation and regulations relating to CSR

Generally, Corporate Governance (CG) is defined as refers to the system by which companies are operated and controlled by the Codes, rules, regulations, statute and State policy. In simple words it may be defined codes of conduct for running the business corporations. Normally CG is available in written form and it may be traced in plethora of legal instruments i.e. codes, rules, regulations, statute and State policy. On the other hand, CSR is a voluntary initiative by the business corporation and there may be scarcity of legislation or enactments.

As regards to legislation and regulation of CSR is concerned that CSR and CG sometime overlap the requirements of each other. On the other hand, at the same time

¹²³ Ibid.

¹²⁴ "A Guide to CSR in Europe" available on <<http://www.csreurope.org/20091012-a-guide-to-csr-in-europe-final.pdf>> (Last accessed JUNE 15, 2022).

CSR and CG both have divergent associated tasks. Beside there are provisions of Companies Act 2006. The companies also pursued the Triple Bottom Line approach (to measure the social, financial and environmental performance of the company) for CSR, which intended by legislation for improvement, betterment of society and protection of environment. In the UK, there is no mandatory law for CSR expenditure of companies. However, there are some other provisions available in UK legislations that the companies strictly follow in CSR programs.¹²⁵ There are some important legislations/regulations in the UK which governed CSR, the detail is under:-

- Working Time (Amendment) Regulations 2001
- Race Relations Act (Statutory Duties) Order 2001
- Disability Discrimination Act 1995 (2005)
- Maternity and Parental Leave (amendment) Regulations 2001
- Employment Act 2002
- Health and Safety at Work Act 1974
- Companies Act 2006 (among other things, this states that directors need to understand the environmental and community impacts of their business operations.¹²⁶

¹²⁵“*Legislation and regulations relevant to CSR*” available on <<https://uol.alchemyassistant.com/topics/K4hgDQWrYQWeW33B.html>> (Last accessed May 16,2022).

¹²⁶“*Legislation and regulations relevant to CSR*” available on <<https://uol.alchemyassistant.com/topics/K4hgDQWrYQWeW33B.html>> (Last accessed May 16,2022).

2.4.8 Overview of Modern Slavery Act United Kingdom

Overview

Law / Country	UK Modern Slavery Act (S. 54) (United Kingdom)
Goal	To ban the modern slavery through enhanced disclosure provision.
Adoption / Status	<p>The UK Modern Slavery Act (“MSA”) transparency provisions enforced on 29thOctober, 2015The Act issued by the UK government, Under the Act, first business companies required to produce a statement were those with a fiscal year end on or after 31stMarch, 2016.</p> <p>The transparency provisions in Section 54 of the MSA ensure disclosure. This Act is largely limited to the transparency provisions of the MSA.</p>
Issues Addressed	<p>To eradicate the modern slavery</p> <ul style="list-style-type: none">•consolidates and clarifies existing UK offenses of slavery and human

trafficking;

- increases penalties against offender;

- provides for new civil preventative orders;

- provides for new maritime enforcement powers;

- establishment of the office of Independent Anti-Slavery Commissioner; and

- adopts measures focused on supporting and protecting victims.¹²⁷

Covered Entities

Corporate companies/organizations:

The MSA covers any business entities that supplies goods or services and has a total annual turnover of at least UK £36 million.

A commercial organization is a business

¹²⁷“*Corporate Social Responsibility Legislation*” available on <<https://www.aim-progress.com/storage/resources>>(Last accessed May 16, 2022).

entities, corporation or partnership that carries on a business (including a trade or profession) or part of a business in the UK, no matter where it was registered. The turnover calculation includes the turnover of the subject commercial organization and its subsidiary undertakings, including those subsidiary undertakings carrying on business outside of the United Kingdom.

Parents and sister companies:

Having a subsidiary that is subject to the MSA does not subject entities that are above that subsidiary in the corporate chain, or sister companies under common control, to the MSA. However, depending on their business activities in the UK, multiple entities in the consolidated group, even those not primarily engaged in carrying on a business in the UK, may be subject to the MSA. A parent

organization that is subject to the MSA must include in its statement the activities of its subsidiaries, even if a subsidiary does not independently meet all of the MSA's jurisdictional requirements, if the activities of the subsidiary are part of the parent's supply chain or business.¹²⁸

¹²⁸ "*Corporate Social Responsibility Legislation*" available on <<https://www.aim-progress.com/storage/resources>> (Last accessed May 16, 2022).

CSR in France

2.5 Introduction:

The France is a historic country of Europe and is one of Europe's largest countries in the Europe. France's neighbor countries are Belgium, Germany, Luxembourg, Italy, Switzerland, Spain and the UK. France total area is 6,43,801 KM¹²⁹. France is considered to be the gateway to Europe and there are several large international airports (two of these can be found in Paris), ferry terminals and the French rail service. According to the World Bank data, France total population is 67,499,343,GDP is US\$ 2.94 trillion in 2021, GDP per capita US\$43518.5 and annual GDP growth is 7.0. France is a high-income country with advanced and diversified EU economy. France export is \$746.91 billion (2020 est.) and its main exports partners are Germany, UK, Belgium and USA. France exports aircraft, packaged medicines, cars and vehicle parts, gas turbines, wine (2019).¹³⁰

2.5.1 France as member of International organizations

France is founding member of the European Union (EU) and an important permanent member of the UN Security Council, NATO, OECD, OSCE, G8 and G20.¹³¹

2.5.2 CSR in France:

In France, four leading case studies of well-known corporate sectors companies are available in Electric Cables, Iron & Steel Manufacturing, Financial Services and

¹²⁹<https://www.cia.gov/the-world-factbook/countries/france/summaries> last accessed on 26.08.2022

¹³⁰ *ibid*

¹³¹<https://www.welcometofrance.com/en/fiche/overview-of-france> last accessed on 26.08.2022

automotive sectors. These cases reveal the overall picture of CSR in France and it is one of significant development of CSR system which has been made in the state regulations and agreements which are governing the labour relations in France. There are some signs of CSR initiatives which shows that some private companies overstepping and are going beyond legal requirements. The aforementioned four business enterprises examined the issues of SR and mostly it relates to the sub-contracting activities and restructuring. During the period of economic crisis results shows that companies redundancies was reported.¹³²

2.5.3 CSR Policy and Legislation in France:

In France considerable increase has been made in CSR legislation in the past few years. Now the U.S.-based MNCs are subject to follow more CSR requirements as these companies have more jurisdictions as compare to the past. France is one of the developed countries in the world that ahead in promoting CSR through legislation. CSR requirements of French and USA are almost same and other related developments.¹³³In France there are some specific laws, regulations and policies that are available to take care of CSR in corporate sector. The detail is as under:-

- **2.5.3. (i) The New Economic Regulations Law:** This law was passed in 2001, Under Article 116 of the New Economic Regulations Law, it is

¹³² “*CSR in France, Germany, Hungary and the United kingdom*” available on <<http://www.enrofound.europa-eu/emcc/content/source/eu03002a.htm>> (Last accessed January 16, 2022).

¹³³<https://www.lexology.com/library/detail.aspx?g=e36c987d-227b-416e-b3c3-44949b1cdb57> Last accessed January 16, 2022.

mandatory requirement that listed companies must report on social and environmental impact.¹³⁴

2.5.3 (ii) Social Assessment Law:

This law required that listed companies report on asset of social data.

2.5.3 (iii) In 2001 France enacted three laws on CSR:

In February managers of employee savings funds was created to consider social and environmental issues of society or ethical considerations when buying and selling shares of the companies. In May, New Economic Regulations Law and in July a 16 billion Euro Public Pension Reserve Fund established to consider social environmental and ethical practices.¹³⁵

2.5.3. (iv) Mandatory Human Rights due Diligence:

This law was approved in 2017, it makes accountable listed companies of France to create and implement public vigilance plans to improve CSR activities. The law also respects the HRs and helps and supports the vulnerable people in France.

2.5.3. (v) French Duty of Vigilance Law 2017:

French Duty of Vigilance Law 2017 requires listed companies to frame a vigilance plan to identify severe violations of human rights and also prevention of abuses of human rights at business premises or at certain subcontractors and suppliers level.

¹³⁴“*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, 2022).

¹³⁵“*Global corporate social responsibility disclosure legislation*” available on <<http://www.goodfunds.com/doc/global-c-s-r-disclosure-legislation.pdf>> (Last accessed January 15, 2022).

2.5.3. (vi) EU Conflict Minerals Regulation:

In 2017 EU framed the Conflict Mineral Regulation, this regulation is applied across Europe. Conflict Minerals Regulation involved all traders of tantalum, tungsten, gold and tin in mineral or metallic form either import business or exports. The companies are required to conduct due diligence and make certain disclosures concerning the 3TG that they import into the EU. This regulation makes sure that the traders dealing with minerals and metals must not engage or fund armed groups or backing security forces in areas of conflict. It is obliged that companies in EU also create a voluntary reporting mechanism to behave responsible enterprises.

2.5.4 Legislative basis for CSR.

In the past period, there were neither special rules/regulations for the listed companies to meet the corporate and social challenges' nor provided any material incentives. However, FDI of the U.S. based MNCs initiated CSR programs, as these companies have more jurisdictions as compare to French companies. But concept of CSR is seriously changing in the Europe as well as in France. So the need of hours to introduce CSR legislation for new French companies which are based on USA multinationals companies. The American and French laws on CSR are almost same by the reason of growing corporate sectors with same policy lines.

The French Parliament amended the French Civil Code and inserted different article Articles 225- 264 ¹³⁶whereby the companies are required to consider CSR especially social and environment issues of society

i. EU Directives and CSR reporting

Under EU Directives big companies are required to publish reports on social and environment impacts, these companies are required to disclose their information to meet social and environment challenges.¹³⁷

2. French law since 2017 has obliged the country's largest companies to disclose non-financial information (regarding social, human rights, anticorruption issues and environmental) in their annual reports.¹³⁸

3. Last but foremost, two important enactments of recent laws which enforced and implemented in France, these enactments have drastically changed the CSR initiatives, the detail is as under:-

- (i) First, **the Sapin II Law** changes the financial framework for the corporate sectors to implement a specific compliance to prevent corruption in France. **The Sapin II Law** is just like the USA Foreign Corrupt Practices Act (FCPA). It obliges the companies to implement an "anticorruption program." This law changes French legal framework in conformity with other developed countries framework or

¹³⁶Government bill relating to growth and transformation of companies, dated 9 October 2018, Article 61, to be adopted in January 2019.

¹³⁷Directive 2014/95/EU of the European Parliament and of the Council, 22 October 2014, amending Directive 2013/34/EU as regards disclosure of nonfinancial and diversity information by certain large undertakings and groups.

¹³⁸Article L.225-102-1 of the French Commercial Code, modified by the Order No. 2017-1180, 19 July 2017:

international standards. The law has an internal whistleblowing system to prevent anti-corruption practices in the business sector. The law is also in line with the U.S. and UK anticorruption and sanctions regimes. According to this, the French companies are required to implement compliance program, in case if other EU member states (MS) do not specifically oblige anticorruption laws, however, these EU MS can be used to such programs as a legal instrument to reduce or lesson the liability.¹³⁹ Under **the Sapin II Law**, in following cases, the compliance actions may become legal obligations:-

- (a) Such as implementing a code of conduct,
- (b) Training those most have exposed to corruption risks and
- (c) Establishment of a disciplinary regime in order to sanction the violations of the code.¹⁴⁰

- (ii) Second, **the Duty of Vigilance Law 2017**, this law ensures that the all companies must implement and publish a “vigilance plan” so as to protect and respect dignity, human rights, fundamental freedoms and environment. This law also safeguards life, safety, health care of workers employees in the companies premises or at some sub-contractors and suppliers level .**the Duty of Vigilance Law 2017** is the

¹³⁹under Article 31 , para 2, of the Spanish Criminal Code, an effective implementation of a compliance program.

¹⁴⁰Art. 17, II, 1°, of the Sapin II Law

first piece of legislation that imposes specific due diligence obligations on companies businesses with regard to human rights.¹⁴¹ This Law is not much elaborated although it covered risks within the Sapin II Code of Conduct. Furthermore, the companies ought to train its relevant workers regarding procurement issues and design supplier codes of conduct. USA Alien Tort Statute (ATS) and this Law both have some similarities in their design and framework.¹⁴²

ii. Incurred Sanctions.

The law applies to huge French companies which operate within French territory. It provides that business entities, MNCs carrying out all or part of their activity in France shall ensure protections human rights and environmental damages during their supply chain. Generally, it covers all sort of companies with the conditions that

- (i) these companies are operating fully or partially
- (ii) whether these companies have or direct or indirect its subsidiaries have at least 5,000 employees, and the company's head office is located in France;
- (iii) in case of foreign company head office is located in foreign country have human resource of 10,000 or more of the company.

This law directly covers around 150 and 200 companies to establish a vigilance plan and effectively implement mechanism to identify HRs violations, breaches of

¹⁴¹Law No. 2017-399, 27 March 2017, on the duty of vigilance for parent and other companies, modifying the French Commercial Code.

¹⁴²"*Total Fundamental Principles of Purchasing*" available on <https://www.total.com/sites/default/files/atoms/files/fundamental_principles_purchasing.pdf>(Last accessed February 12,2022).

fundamental freedoms, violations of health, safety of people and also prevent environmental damages. The plan covers all sort of companies i.e the parent company, the suppliers and subcontractors attached with parent company or companies under its control or any of its subsidiaries have linked with business/trade relationship. The court may specify content of this plan and pass a judicial decree to implement its plan. In case the company fails to prepare the vigilance plan and does not comply with the formal judicial notice, the Court may be sanctioned with a fine of up to € 10 million. However, if company fails to develop a plan and it leads to injuries to employees or environment that otherwise could be prevented in such case(s) the amount of this fine may exceed up-to € 30 million.¹⁴³

2.5.5 CSR drivers in France:

CSR is commitments by the corporations to behave ethically and contributes to economic development, improving the quality of life of labor-force and their families. In France, CSR is becoming dominant progressively in its corporate sectors. Growing trends to protect human rights and condemn HR violations. State legislations tilt to its public and especially towards its workers/employees. Labour Associations/Movements are working for their health safety, healthcare programs and numerous NGOs, INGOs also raised sounds for protection of environments so industrialists were under great pressure, to show their dedication towards social progress of society. The business organizations recognized that they should build

¹⁴³ “*corporate social Responsibility and the Law* “available on<https://www.csrandthelaw.com/altschuller_sarah>(Last accessed February 28, 2022).

honest, reliable, trustworthy and viable relation with its public and private sectors.

The emergency of CSR in France is the result of the following reasons:-

- (i) globalization;
- (ii) FDI and the influence of foreign companies and
- (iii) The successful development of French socially responsible investment market.¹⁴⁴

2.5.6 France Global Telecommunications Provider Orange:

Global Telecommunications Provider, Orange France (Telecom), issued a Corporate Sustainability Report for the year 2008. The company uses in its report three express to define its CSR policy: include, care and preserve. According to the company report, Orange aims to become the leader for CSR amongst other Telecommunications Companies by the end of year 2012.¹⁴⁵

2.5.7 An overview of Corporate Duty of Vigilance Law France

Law / Country	Corporate Duty of Vigilance Law
	No. 399- 2017
	France
Goal	To prevent severe human rights violations and protection the

¹⁴⁴“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, 2022).

¹⁴⁵ “corporate social responsibility and orange” available on <<http://www.suite101.com/content/corporate-social-responilbity-and-orange-a128395>> (Last accessed January 15, 2022).

environment, health and safety of its people or. It covers those companies which are linked with subsidiaries, supply chain members and subcontractors¹⁴⁶.

Adoption / Status

The French National Assembly adopted this Law on 21-02-2017 and became effective w.e.f. 27-03-2017.

Note that, on 27-03-2017, the French Constitutional Council found unconstitutional and against the constitutional principles. The portion of the Law that calls for imposing fines on companies not in compliance (described below).

The requirement to establish a vigilance plan started on the effective date; the reporting obligations started with fiscal 2018¹⁴⁷.

Issues Addressed

- It provides that business entities, MNCs carrying out all or part of their activity in

¹⁴⁶Corporate Duty of Vigilance LawNo. 2017-399, 27 March 2017

¹⁴⁷Corporate Duty of Vigilance LawNo. 2017-399, 27 March 2017

France shall ensure protections human rights and environmental damages during their supply chain.

This law focuses serious violations of HRs and fundamental freedoms and is similar to UN Guiding Principles on Business and Human Rights (the **UN Guiding Principles**) outlines.

- Protection of health and safety of employees/people; and to meet the environment.

Covered Entities

Any company registered in France run its business for a period of 2 consecutive FY:

- (i) these companies are operating fully or partially
- (ii) whether these companies have or direct or indirect its subsidiaries have at least 5,000 employees, and the company's head office is located in France;

(iii) in case of foreign company head office is located foreign country have its 10,000 or more employees of the company.

A company is considered to be a subsidiary if another company owns more than 50% of its capital.

How It Works

The court may specify content of this plan and pass a judicial decree to implement its plan

Mandatory or not?

Yes.

Vigilance Plan Requirements

This law directly covers around 150 and 200 companies to establish a vigilance plan and effectively implement mechanism to identify human rights violations, breaches of fundamental freedoms, violations of health, safety rights of people and also prevent environmental damages. The plan covers all sort of companies i.e the parent

company, the suppliers and subcontractors attached with parent company or companies under its control or any of its subsidiaries have linked with business/trade relationship.

The vigilance plan must include:¹⁴⁸

Penalty

In case the company fails to prepare the vigilance plan and does not comply with the formal judicial notice, the Court may be sanctioned with a civil fine of up to € 10 million. However, if company fails to develop a plan and it leads to injuries to employees or environment that otherwise could be prevented in such case(s) the amount of this fine may exceed up to € 30 million.¹⁴⁹

¹⁴⁸Corporate Duty of Vigilance LawNo. 2017-399, 27 March 2017

¹⁴⁹ "*corporate social Responsibility and the Law*" available on <https://www.csrandthelaw.com/altschuller_sarah> (Last accessed August 2, 2022).

CSR in Denmark

2.6 Introduction:

Denmark is a small Scandinavian country in Northern Europe. The country is surrounded by a large peninsula with many islands named as the Danish Archipelago. Its neighboring countries are Norway, Germany, and Sweden. Denmark is controlling the Danish Straits by virtue of its strategic location. It is also linked with the Baltic and North Seas. The people of Denmark are known as Danes and they are Nordic Scandinavians. Danes enjoy the best living conditions in the world and the state pays \$1,500 to all Danish families for every child under 18 years old in every year. Approximately 85% of Danish people belong to the National Church of Denmark¹⁵⁰.

Denmark is a member of the European Union (EU), its population is about 5.8 million and it gives a GDP per capita PPP of \$67,196. According to the World Economics Global Wealth rankings, Denmark is at serial No. 14th and No. 8th of Europe¹⁵¹.

The government system of Denmark is a constitutional monarchy. The ceremonial chief of Denmark is the queen, and the head of government is the Prime Minister. Denmark has a modern market economy. The World Bank and Denmark work together for many other member governments to finance projects, design policies, and deliver programs to end poverty in the developing world.¹⁵²

¹⁵⁰<https://kids.nationalgeographic.com/geography/countries/article/denmark> last accessed on 28-08-22

¹⁵¹<https://www.worldeconomics.com/Wealth/Denmark.aspx#:~:text=The%20population%20of%20Denmark%20is,rankings%20and%208th%20for%20Europe>. last accessed on 28-08-22

¹⁵²<https://www.worldbank.org/en/country/denmark/overview> last accessed on 28-08-22

Initially 6 European countries Germany, Italy, France, Netherlands, Belgium and Luxembourg joined European Communities later on 3 more countries i.e. Denmark, Ireland and the UK joined the European Communities on 1 January 1973 raising the number of member countries to nine. In October 1973, the world oil crises, Arab-Israeli War and economic problems forced these European nations to establish EU Block. This block normally works for European Communities to protect HRs, environment and introducing the notion of 'the polluter pays'. By virtue of this block, many environmental NGOs and other NGOs are created in Europe¹⁵³.

First direct elections of the European Parliament (EP) were held in June 1979, European citizens directly elect the members of the EP for the first time. Previously members were delegated by national parliaments. The EP Members sit as European political groups, not in national delegations.¹⁵⁴

2.6.1 CSR in Denmark

In 1994, the term CSR first time was used by the Karen Jespersen, Minister of Public Affairs, in Denmark. Ms. Karen Jespersen presented and promoted the idea of CSR in her article, simultaneously, the Campaign known as 'Our Common Concern' was launched in Europe and this Campaign affected many other EU countries for long time. She envisioned that stable and functional society would be result of positive CSR practices which would produce good labour market and services market for others. The aforementioned Campaign 'Our Common Concern' had defined the

¹⁵³https://european-union.europa.eu/principles-countries-history/history-eu/1970-79_enlast accessed on 30-08-22

¹⁵⁴ Ibid

meaning of prosperity in any society. The basic idea in Ms. Jespersen article was promotion of CSR.¹⁵⁵

2.6.2 Monitoring CSR in Denmark:

The Danish National Institute of Social Research (DNISR) reported that CSR is gradually improving in Denmark. Since 1997 to 2006, every year the DNISR was conducting study to monitor the SR and its developments of business companies, however, the report showed substantial changes in the assessments of workers/employers. The above work is financed by the Danish Ministry of Employment in furtherance of global efforts to encourage CSR practice and to prevent exclusion from the labor market.¹⁵⁶

2.6.3 Law on CSR Reporting in Denmark:

The new law was passed by the Danish Parliament that it made CSR mandatory for the 1100 huge companies in Denmark. By virtue of this law, the state owned companies, listed companies, and institutional investors are under obligations to report CSR work in their reports. However, it is still up to the company to decide how they want to work with CSR. Although, it depends upon companies to what extent they may work on CSR activities.¹⁵⁷ CSR has become a reality and the new law obliges it mandatory reporting for huge companies. The CSR reporting shell became

¹⁵⁵“*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, 2022).

¹⁵⁶“*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, 2022).

¹⁵⁷“*Press release: Law on CSR reporting*” available on <<http://www.csrgov.dk/sw51377.asp>> (Last accessed January 13, 2022).

mandatory for huge companies operating in Denmark by the next year. The Danish government passed legislation in the last month that 1,100 country's major listed companies running their business in Denmark are required to publish CSR performance, in their annual reports.¹⁵⁸

After the Amendment in Danish Financial Statement Act, it shall be applied to all the commercial companies in Denmark, these commercial companies must report the following three areas in their annual report:-

1. CSR.
2. How CSR policies are being put into practice?
3. What the enterprises has earned due to CSR activities and expectations for the CSR future?¹⁵⁹

2.6.4 Danish Chamber of Commerce (DCC):

The Danish Chamber of Commerce (DCC) is a key business organization and employers' association for forward-thinking business in Denmark. Currently, DCC represents twenty thousand companies and one hundred trade associations from the different business communities i.e. transport, service sectors, knowledge industry, leisure etc. DCC's mission is to create an attractive environment for business companies where they run their business more freely and independently. DCC support huge companies' business interests in line with the EU framework, global trade to safeguard national business and employment regulations within the areas. DCC is an

¹⁵⁸ "Business Green: Denmark latest to pass csr reporting law" available on <<http://www.businessgreen.com/bg/new/1801774/Denmark-pass-csr-reporting-law>> (Last accessed 14, February 2022).

¹⁵⁹ "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, 2022).

association of business organization so it assists its members in the following business matters:-

- ❖ foreign trade, business development, innovation, technology and global networks;
- ❖ legislator frameworks relating to commercial legislation, companies' business and educational policies;
- ❖ Issues relating to environment;
- ❖ CSR and global value chains.¹⁶⁰

2.7 CSR at EU and at Member State level

Since the last ten years, the EU encouraged the business companies to promote CSR through optional and mandatory provisions. EU also promotes CSR through UN Guiding Principles. Under these provisions, the companies conduct their business responsibly way either soft law or through hard law initiatives. The EU expects to implement under UN Guiding Principles and UN 2030 agenda for sustainable development. Large numbers of Member States (MS) have already made considerable efforts to promote CSR programs. Although, the member states' CSR activities have not made enough progress as MS often depend upon non-mandatory CSR provisions. The MS are indeed scarce with minor exceptions putting in place of mandatory due diligence duties. The non-mandatory CSR provisions are permitting the companies some degree of autonomy irrespective of their size or national legislations. These provisions do not deliver specific and clear legal duties towards CSR activities, the

¹⁶⁰ "Danish chamber of commerce" available on <<http://www.Danish exports.dk/scripts/Danish exports/Eo-hts/asp>> (Last accessed February 12, 2022).

companies are to be applied in their business areas. Particularly, these provisions do not handle general duties of the companies' Board to promptly identify HR violations as well as to prevent the risks of HRs, environmental damages caused by their own companies, their subsidiaries companies and across supply chain. Those companies who violated the provisions in EU, the MS do not take concrete actions to initiate enforcement mechanisms for (a) victims of corporate wrong-doing and provide them legal remedies (b) state sanctioned against companies for non-compliance of CSR provisions consequently CSR is still remains an derive of a generally voluntary nature.¹⁶¹

The EU communicated some other initiatives for the companies regarding due diligence reporting, it may possible that future EU legislation will address the above mentioned issues to enforce CSR for MS with the aim to deliver specific and clear legal duties towards CSR activities.

The European Commissioner for Justice said that EU will develop a legislation which required the companies to carry out due diligence to identify HR violations, taking action to mitigate HRs and environmental impacts in their supply chains. Moreover, EC is given much importance to CSR and placed in its agenda. The office of German Presidency of the Council of the EU assumed the charge of the council in July 2020 and he gave great deal of importance to CSR agenda.

The new German Presidency stressed that: EU is committed to frame action plans to strengthen CSR and it will promote HRs, transparency, social and environmental

¹⁶¹“ *Corporate social responsibility (CSR) and its implementation into EU Company law*” available on <<https://www.europarl.europa.eu/RegData/etudes/STUD/>>(Last accessed February 13, 2022).

standards in global supply chains. The world has recently bitter experience of pandemic and committed to learn lessons from the Covid-19. EU supports the consistent implementation of the United Nations Guiding Principles (UNGPs) on Business & HRs and the OECD Guidelines for Multinational Enterprises.¹⁶²

The EP discussed the due diligence mandatory legislation at EU forum. In the EP, CSR was very hot topic on its agenda. The EP is already working on CSR. In June 2020, the European Parliament Human Rights Subcommittee (DROI) constituted committee for promotion and protection HRs in its internal and external policy¹⁶³. The DORI comprehensively examined due diligence legislation and framed policy various options for EU¹⁶⁴. After the 2011, the Commission document testified that the EU made progress in three inter-connected areas first the realization of CSR & Responsible Business conduct (RBC) second encouraging business, HRs, sustainability and third the implementation of the UN 2030 Agenda for sustainable development. Beside these lines, CSR progress made in in the following areas:-

- encouraging the companies for promotion and to respect HRs,
- encouraging companies to respect the HRs' protection
- providing adequate remedy & access to victims for HR abuses relating to business;

¹⁶²Programme for Germany's Presidency of the Council of the European Union, Together for Europe's Recovery, July 2020.

¹⁶³<https://www.europarl.europa.eu/committees/en/droi/about#:~:text=The%20European%20Parliament%20and%20its,between%20all%20the%20Union%27s%20external> last accessed on 03-09-2022.

¹⁶⁴"Corporate social responsibility (CSR) and its implementation into EU Company law" available on <https://www.europarl.europa.eu/RegData/etudes/STUD/JUNE_19_2022> (Last accessed March 12,2022).

- encouraging the companies to carry out suitable due diligence with the supply chain,
- increasing reporting, transparency and promoting sustainable finance;
- encouraging socially and friendly business practices for public as well as public procurement;
- encouraging environmentally friendly business practices while public procurement;
- Promoting and the implementation of CSR policy of EU in &outside the EU with trade instruments through participation of EU's multilateral for a.
- Promoting and the implementation of RBC in &outside the EU with trade instruments as well through participation of EU's multilateral fora.
- developing some specific approaches for specific sectors or companies;
- pursuing horizontal approaches, with close working with EU's MS in line with National Action Plans¹⁶⁵

¹⁶⁵“*Corporate social responsibility (CSR) and its implementation into EU Company law*” available on <<https://www.europarl.europa.eu/RegData/etudes/STUD/>>(Last accessed JUNE 19, 2022).

2.7.1 Milestones of CSR in Europe

EU supports the consistent implementation of the United Nations Guiding Principles (UNGPs) on Business & HRs and the OECD Guidelines for MNCs. The EU and EP achieved some milestones in area of CSR and sustainable development in Europe.

Some important and notable achievements are as under:-

1. The President of the European Commission ('EC') with the support of European companies launched the European Business Manifesto against Social Exclusion Manifesto in 1995. It defined a level playing ground for companies in EU. This Manifesto promoted European Business Network in EU.
2. The 1st CSR Europe Advisory Board established in 1998.
3. In 1999 the EP passed a resolution named as Binding Code of Conduct. The code governs EU companies' HR, labour and environmental issues. Under the code, the companies are under obligations for compliance in the world-wide.
4. In the Lisbon Summit 2000, the EU heads of state were dedicated to make EU the most dynamic, competitive, knowledge-based economy and capable of sustainable economic growth in the world. The EU Heads of State also made commitments to provide better jobs and greater social cohesion by 2010.

5. In 2000 as part of the Lisbon Agenda, the EU heads of State craved business companies to support CSR.¹⁶⁶
6. In 2001, the EC developed a framework on CSR and this framework is known as Green Paper on Promoting a European. It addresses important issues, i.e. Social rights, responsible actions during business restructuring, promoting work, life balance and business codes of conduct.
7. In 2002 A business contribution to sustainable development was 1st communication was made on CSR by the EC. It created general awareness on CSR in EU. It focused on the objectives of the Lisbon Strategy. The Companies seriously focused on social and environmental issues in their business areas and they voluntarily collaborated with the other stakeholders.
8. In 2002, the EC established the EU Multi-stakeholder Forum on CSR and this Forum exchanged good practices and assessed CSR common guidelines.
9. In 2002, the EP votes for the new legislation on CSR. The new enactment required the companies to publish their annual reports which reveal companies social and environmental performance. It requires to establishing legal jurisdiction against European companies' and it also requires making Board

¹⁶⁶European Parliament: European criteria for companies operating in developing countries LDCs: towards a European Code of Conduct, INI/1998/2075.

members personally responsible for their malpractices and abuses in the other developing countries¹⁶⁷.

10. In 2003, a Council passed the Resolution, it requires the companies of MS to promote CSR at a national level. It is also resolved that EU MS continue to promote dialogue with social stakeholders and civil society. The MS committed to promote transparency of CSR practices, information and exchange their experiences to incorporate CSR into their national policies.
11. In 2004, in consultation process, the EC takes initiatives on common principles of CSR in the EU by inviting the European Multi-stakeholder Forum on CSR reports. The Forum boycotted its proceedings since the Forum excluded all reference to regulation and mandatory measures, trade unions and NGOs.
12. In 2005, the EC organized the conference on SMEs
13. In 2006, the 2nd EC Communication entitled “Implementing the partnership for growth and jobs: Making Europe a pole of excellence on CSR” was made. It led to a greater interaction between the EU and its Alliance. The 2nd EC Communication included two very important initiatives, firstly the Multi-

¹⁶⁷European Parliament: European criteria for companies operating in developing countries LDCs: towards a European Code of Conduct, INI/1998/2075.

stakeholder Forum and 2nd an integration of CSR into European policy.

14. In 2007, the EU Parliament calling the EC to implement CSR by realistic approach to address specific issues. The EU Parliament Report gave the detailed answers to the EC Communication.
15. The first High Level Meeting of the European Alliance was held in 2007 and the Commissioners met with leading business heads to discuss CSR progress. The European Alliance providing CSR support for the companies operating in the developing world.
16. The UNDP and EU arranged the Conference in 2007. The titled of the conference was “CSR in the New Europe: challenges and solution”.
17. In 2008, the EC framed Policy Action Plan to improve the environmental performance of the corporate industries. The Policy Action Plan is known as Sustainable Consumption and Production and Sustainable Industrial which protect the environment by adopting production technologies in the corporate sectors.
18. In 2009, the EC and 250 key European Multi-stakeholders held a meeting on CSR, they reviewed the CSR progress made by the companies and planned future initiatives.

19. In 2012, EU carried out two studies; the first study provides modern CSR reporting in the EU and the second study provides outlines of responsible supply chain management for the companies.¹⁶⁸

2.8 Conclusion

The concept of CSR is rapidly growing in the world however, it is moving with different pace from company to company, country to country and continent to continent. The UK NGO accountability named as Responsible Competitive Index (RCI) analyzed the responsible business performance of different countries of the world and issues periodical indexes for their performances in the area. The RCI's index for 2007 had examined 108 different countries of the world which is almost 96% of global GDP. The RCI report showed that the developed countries with more advanced economies have performed better in this area. The RCI report named the top five countries in ranking are Sweden, Denmark, Finland, Iceland and UK respectively; but France ranking is 17 and USA is 18 in the list. The report further exposed that the developed countries shifted their dirty industries to the third world countries, which are mostly un-regulated economies and their laws are not so rigid for environmental and social standards¹⁶⁹. Thus developing countries are polluting on the behalf developed countries and they camouflaged themselves in the report. The index report does not point out them.

¹⁶⁸“Corporate social responsibility (CSR) and its implementation into EU Company law” available on <<https://www.europarl.europa.eu/RegData/etudes/STUD/>> (Last accessed JUNE 19, 2022).

¹⁶⁹In Search of Pollution Havens? Dirty Industry in the World Economy, 1960 to 1995 Muthukuma Muthukumara Mani, David Wheelerra Mani, David WheelerFirst Published September 1, 1998 Research Article available <https://journals.sagepub.com/doi/10.1177/107049659800700302> last accessed 7-09-2021

The mandatory due diligence legislation for the companies is one step ahead for EU countries. The legislation accelerated CSR pace in the EU as well as other parts of world. The EC already provided a legislative proposal for EU however, the EP can play leading role to encourage CSR in EU countries by focusing on Corporate Law instruments. The legislation required to force these companies to carry out due diligence in their supply chain to identify HRs violation & environmental adverse. Furthermore the companies required to prevent and mitigate HRs and environmental adverse impacts in their business area. This study rendered some useful proposals which may open some new avenues for researchers. It is essential that such future legislation be framed to compel the companies to go beyond reporting. This is also consistent with the UN principles. This legislation should include SME and other small entities to contribute for CSR to make progress of society. More piece of legislations are to be framed for duty of due diligence particularly for SME. The European Commission's Directorate General for Justice and Consumers recently conducted an impact assessment 2020 Study, it concluded that a legislative initiative of mandatory provision of due diligence is a legal standard of care for other countries.¹⁷⁵

The study results showed that due diligence created indirectly fiduciary duties for the BOD/directors of the companies to ensure compliance regarding due duty diligence in the best interest of the company. In fact the due diligence duty is owed by the shareholders of the company. The company, individual director, or shareholders are under legal duty and they shall act in the best interest of companies. The directors are

under duty to consider sustainability issues whether it is in the interest of the company's or not.

In general the companies are accountable for CSR and it required publishing in their annual reports but in case of defiance there must be civil or criminal liability on part of BOD or companies directors so that is BOD of the companies take action in pursuance of mandatory due diligence provision.

In Asia only India is the country which has outlined CSR provision in its legislations. Under to Section 135 of ICA, the BOD of a company shall consider the recommendations made by the CSR committee and approve the CSR policy, disclose the contents of CSR policy in its Annual Board Report. Subject companies generally are required to have a CSR Committee of three or more directors. At least one of these directors generally must be independent, unless stated otherwise in Section 149(4) of the Companies Act. In case of defiance, the new amendment made in ICA imposed pecuniary penalty and punish with imprisonment for the default.

The non-mandatory CSR provisions are permitting the companies some degree of autonomy irrespective of their size or national legislation. These provisions do not deliver specific and clear legal duties towards CSR activities, the companies are to be applied in their business areas Particularly, these provisions do not handle general duties of the companies' Board to promptly identify HR violations as well as to prevent the risks of HRs, environmental damages caused by their own companies, their subsidiaries companies and across supply chain.

In Pakistan there is need of hours to move one step ahead and make mandatory provision for enforcement of CSR as in other countries. Because without proper legislation we cannot force the corporations for CSR implementation. If separate legislations are not possible the current company law could be amended as in India. Optional guidelines and Orders cannot force the companies as we have the corporate social responsibility General Order but this is optional not mandatory for the corporations in Pakistan .

CHAPTER NO III LEGAL AND REGULATORY FRAMEWORK OF CSR IN PAKISTAN

3.1 Introduction

CSR in Pakistan The concept of corporate social responsibility has become an integral part of global company management. Extensive studies are being conducted to identify ecologically and socially responsible companies. After a worldwide upsurge of consumer concern in the 1990s, the decade became a watershed moment in the movement to elevate corporate social responsibility to the forefront of companies' strategic priorities. Integrity problems with brands like Martha Stewart and Nike are presented as potential solutions to the problems with dishonest businesses like Barings and Shell. Today, businesses that wish to be evaluated based on their effects on the environment and society may do so following a set of internationally recognized criteria. These norms include the Global Reporting Initiative's sustainability reporting requirements and the International Organization for Standardization's ISO 14000 environmental management system standards. The Securities and Exchange Commission of Pakistan is the pioneering regulatory body in the country to establish a code of governance. Government plans to institutionally promote mainstream international business as a standard are also evident in the 2002 Trade Policy. Pakistan as a nation must swiftly learn to adjust to CSR. The Iqbal Masih law suit cost Pakistan's carpet industry over \$1 billion in the 1990s. Soon after, though, overseas customers began requiring CSR credentials from Pakistan's food and textile export businesses. Given these circumstances, Pakistan must seriously consider establishing a CSR culture. Several Pakistani businesses are now becoming familiar with corporate social responsibility. Sixty-plus percent of Pakistan's businesses have

donated to community service, charity, or religious causes¹⁷⁰. Most Pakistani businesses participate in corporate social responsibility initiatives¹⁷¹. Globalization and intense competition are to blame. Multinational corporations such as Pepsi, Coca-Cola, Nestle, Unilever, and Siemens have promoted corporate social responsibility (CSR) in Pakistan. Research shows great opportunities for firms to engage in community development initiatives in Pakistan, and financial institutions and telecommunications providers have recently joined CSR. Pakistan has a small social marketing sector. The chemical, pharmaceutical, beverage, and food sectors, in general, support humanitarian causes and aid those affected by natural disasters like floods. After the devastating earthquake in October 2005, the business community pitched in to help the affected recover, first via direct aid and then by addressing the problem of internally displaced people. One of the main challenges to implementing CSR in Pakistan is the country's diverse socio-cultural environment. Since these problems are complicated, diverse, and sensitive, businesses are reluctant to take them on for fear of alienating their customers. If these problems are not resolved, it will hurt the CSR program. Problems with sex discrimination, religious intolerance, extremism, and sectarianism, among others, have slowed Pakistan's progress. Numerous social ills are widespread in Pakistan, such as that thousand children under the age of 10 joining the workforce every year, competing with adults, and, very

¹⁷⁰ Yawar, H. M. *CSR Pakistan Evolution, rise and impact of socio-economic development Capital Business* (Gulberg III, Lahore, Pakistan, 2009).

¹⁷¹ “*Corporate Social Responsibility And Impact On Company ... - UK Essays*” available on <<https://www.ukessays.com/essays/management/corporate-social-responsibility-and-impact>> (Last accessed March 22, 2022).

frequently, with their parents. Like many other developing nations, Pakistan is not free of child labor. Many Pakistani workers are undocumented immigrants, and child labor is a serious issue in the country's burgeoning underground economy.

Unfortunately, Pakistan's print and broadcast media are a rather weak link in the CSR discussion. The media has been deterred from performing its duty of corporate monitoring due to an unhealthy preoccupation with political matters. Corporate misconduct stories seldom make the news unless they have a political slant. There is a dearth of programming on television, and what is on air tends to concentrate on the same tired topics like labor rights and the like. CSR will forever remain a buzzword and will never be seen as a business strategy in a nation where neither consumers nor the media pay attention to the issue. The media does not convey the basic dimensions of CSR. Businesses in Pakistan often see CSR as a catch-all for topics including ecologically responsible operations. Yes, commercial groups in Pakistan are participating in community programs, but they need to be more focused, strategic, and long-term to make a real difference in people's lives. The media and civil society should pay more attention to unethical corporate activities.¹⁷²

As we all know, CSR is not a novel idea in the twenty-first century¹⁷³ CSR, however, is a novel concept in Pakistan, and few citizens have any idea what it entails. Those in the know assume that it has some bearing on environmental protection or that its

¹⁷²“ *Effects of corporate social responsibility on consumer retention in cellular industry of Pakistan* ” available on [https://www.scirp.org/\(S\(351jmbntvnsjt1aadkposzje\)\)/reference/ReferencesPapers.aspx?ReferenceID=1869836](https://www.scirp.org/(S(351jmbntvnsjt1aadkposzje))/reference/ReferencesPapers.aspx?ReferenceID=1869836) (Last accessed March 22,2022).

¹⁷³ Carroll, A. B. *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. *Business Horizons*(1991).

inclusion in firms' annual reports is only for public relations. A small but vocal group of academics maintains that corporate social responsibility (CSR) is nothing more than a marketing ploy used to win over the company's stakeholders, most notably its consumers.¹⁷⁴ For example, environmental protection and corporate social responsibility are not prioritized in developing nations like Pakistan. Companies in Pakistan who care about corporate social responsibility (CSR) often provide money to nonprofits dealing with the poor or religious groups. Sixty percent of publicly traded firms give to nonprofits or social causes. A lot is happening, particularly in social improvement and volunteerism.¹⁷⁵

There is a great deal of activity in Pakistan, with multinational corporations like Barclay's and Nestle serving as catalysts. Opportunities for CSR are abundant in Pakistan. Sixty-five percent or thereabouts of the population of the world's fifth most populated nation lives in rural regions without access to even the most basic amenities. Companies may spread their resources over many different fields, which will need significant time and energy. Industries that need our urgent attention include

- Education
- Health care

¹⁷⁴ "*A History of Corporate Social Responsibility: Concepts and Practices*" Available on <<https://www.researchgate.net/publication/282746355>> (Last accessed March 20, 2022).

¹⁷⁵ "*CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A TOOL FOR VALUE CREATION; A STUDY OF NESTLE PAKISTAN*" available on <<https://www.semanticscholar.org/paper/Corporate>> (Last accessed March 18, 2022).

Water and sanitation

- Infrastructure
- Development research
- Training and Development¹⁷⁶

3.2 Evolution of corporate social responsibility in Pakistan

CSR in Pakistan has historically taken the form of philanthropy and voluntary contributions, with strong roots in the country's religious beliefs and long-established social conventions. It is customary in Pakistani society for people to donate a portion of their income to charity. The same can be said about Pakistani businesses, the vast majority of which have given their time and money to improving health and education in the country. In 1981, the Agha Khan Development Network polled its constituents,¹⁷⁷ Research indicated that Pakistanis donate \$1.5 billion a year to charity; more than 90% of corporations donate to charity, either directly or through philanthropic organizations like NPOs and trusts/foundations controlled by businesses. Is CSR, however, also developing in Pakistan in step with global trends? Corporate social responsibility (CSR) initiatives are increasingly included in business

¹⁷⁶“CORPORATE SOCIAL RESPONSIBILTY (CSR) AS A TOOL FOR VALUE CREATION; A STUDY OF NESTLE PAKISTAN” available on <<https://www.semanticscholar.org/paper/Corporate>> (Last accessed March 18.2022).

¹⁷⁷“CORPORATE SOCIAL RESPONSIBILTY (CSR) AS A TOOL FOR VALUE CREATION; A STUDY OF NESTLE PAKISTAN” available on <<https://www.semanticscholar.org/paper/Corporate>> (Last accessed March 18.2022).

plans as legitimate ventures. Slower than its development in the industrialized world, but not non-existent. A monthly report on the state of corporate social responsibility in Pakistan is only one example of the intellectual front on which work is being done. The Securities and Exchange Commission of Pakistan has issued regulations to educate businesses on corporate social responsibility¹⁷⁸. Reports on CSR activities in Pakistan are also made public, and the rules are regularly reviewed. The advancement of CSR in Pakistan has been greatly aided by these intellectual endeavors and the publication of several academic publications and studies.¹⁷⁹

While various businesses have taken unique approaches to CSR research and implementation, they share many common goals and objectives. While it is generally acknowledged that Pakistan is a nation where CSR has not yet grown effectively, some firms have taken the lead in embracing CSR practices, so their efforts must be commended. However, CSR in Pakistan took a huge hit when a large portion of foreign investment was suspended owing to terrorist risks after 9/11. While Pakistan saw a decline in foreign investment in the 2000s, a massive influx of Chinese funds in the last decade has made up for that shortfall.¹⁸⁰

¹⁷⁸“*SECP gives nod to CSR guidelines*” available on <<https://www.secp.gov.pk/wp-content/uploads/2016/05/SECP-gives-nod-to-CSR-guidelines.pdf>> (Last accessed March 15,2021).

¹⁷⁹“*The evolution of corporate social responsibility. Business horizons*” available on <<https://doi.org/10.1016/j.bushor.2007.06.004>>(Last accessed March 18,2022).

¹⁸⁰ “*CSR Report, Zong. 2017*” available on <<https://www.zong.com.pk/downloads/CSR-REPORT-Final-Draft.pdf>> (Last accessed March 19, 2022).

3.3 Socio-Economic Context of Pakistan

For 90 years (1857-1947), a part of India (Indo-Pak), the developing nation of Pakistan, was governed by the British for 90 years. Pakistan (with a Muslim majority) and India emerged from this area after its partition in 1947. (Which currently has a Hindu majority). East Pakistan and West Pakistan were the two separate governments that made up Pakistan. East Pakistan seceded in 1971 to become the independent nation of Bangladesh. Pakistan is a country in South Asia; it borders India to the east, Iran to the west, China to the north, Afghanistan to the northwest, and the Arabian Sea to the south. With a total landmass of 796,095 square kilometers, Pakistan has a wide range of climatic conditions, from sub-freezing temperatures in the north to mild conditions in the northwest, and finally, scorching heat and dry conditions in the south and center. The Punjab, Sindh, Baluchistan, and Khyber Pakhtunkhwa are the four provinces of Pakistan; the Federally Administered Tribal Areas and the Islamabad Capital Territory are the two territories, and Pakistan is home to six distinct ethnic groups: Punjabi (44.68%), Pashtun (15.42%), Sindhi (14.1%), Saraiki (8.38%), Muhajirs (7.57%), and Baloch (3.57%) (The World Factbook, 2014). The most commonly spoken languages in this region are Punjabi (48%), Sindhi (12%), Saraiki (10%), Pashtu (8%), Urdu (official) (8%), Balochi (3%), Hindko (2%), and Brahui (1%). Pakistan is a Muslim majority nation, with 95% of its population practicing Islam and the other 5% practicing another faith. The above suggests that Pakistan is a big, multi-ethnic, multi-lingual, and multi-religious community. While the average for South Asian nations is \$1437, Pakistan's per capita GDP is just \$1260. In addition, 15.1% of the population lacks access to safe drinking water, and 23.9% are poor or near poor in Pakistan. Additionally, the average life

expectancy in South Asian nations is 66.4 years, whereas the life expectancy of Pakistanis is 66. In Pakistan, 92.3% of children are enrolled in kindergarten, which is much lower than the average for South Asian nations i.e. 110%¹⁸¹ in 2011 (World Bank, 2011). Pakistan's economic situation is rather precarious, as seen by these numbers¹⁸² Except for the PPP-led government in 1972–77, which followed the principles of a market economy and focused on the promotion of industrialization in Pakistan by establishing industrial zones, each successive government has been led by either the Pakistan People's Party (PPP), the Pakistan Muslim League Nawaz (PMLN), or the Martial Law Administrators¹⁸³

¹⁸¹The primary school enrolment rate can exceed 100% due to the inclusion of under-aged and over-aged students because of their early or late entrance and grade repetition (World Bank, 2011). The main parties are Pakistan Peoples Party (PPP), Pakistan Muslim League-Nawaz (PML-N), Muttahida Quami Movement (MQM), Pakistan Muslim League – Quid-e-Azam (PML-Q), The Jamiat Ulema-e-Islam Fuzal-ur-Rehman (JUI-F), Jamaat-e-Islami (JI) (The World Fact book, 2012), and Pakistan Tehreek-e-Insaf (PTI)

¹⁸² The main parties are Pakistan Peoples Party (PPP), Pakistan Muslim League-Nawaz (PML-N), Muttahida Quami Movement (MQM), Pakistan Muslim League – Quid-e-Azam (PML-Q), The Jamiat Ulema-e-Islam Fuzal-ur-Rehman (JUI-F), Jamaat-e-Islami (JI) (The World Fact book, 2012), and Pakistan Tehreek-e-Insaf (PTI)

¹⁸³As at the time of independence (i.e. 1947), Pakistan received a small percentage (4%) of the total industries Established in the Indian-subcontinent (see Jaleel, 2011).”

3.4 Legal and Regulatory Aspects of CSR in Pakistan.

The main social and environmental aspects of company performance are ostensibly governed by the legal and institutional framework of Pakistan, including the prohibition of slavery, forced, and child labor under Article 11 of the Constitution of Pakistan; the right to organize freely in unions, and associations under Article 17 of the Constitution of Pakistan; the prohibition of sexual discrimination under Article 25 (2) of the Constitution of Pakistan; and the provision of safe working conditions Title 29 of the Labor Code of the constitution of Pakistan, Article 9A.¹⁸⁴ The Factories Act 1934, the Mines Act 1923, the Workmen's Compensation Act 1923, the Provincial Employees Social Security Ordinance 1965, the West Pakistan Shops and Establishment Ordinance 1969, the Employment of Children Act 1991, the Bonded Labour System Abolition Act 1992, and the Punjab Industrial Relations Ordinance 2010. The Ministry of Labour and Manpower of Pakistan enforces these rules and regulations (MLM).

The Price Control Act of 1977 and the Consumer Production Act of 1995 are two of the most important pieces of legislation enacted to safeguard consumers' rights. These acts address concerns such as disclosing product details (such as cost, quality, and quantity). Implementing consumer legislation at the federal and provincial levels is the responsibility of the federal consumer council and the provincial consumer advisory council. Corporate Governance,¹⁸⁵ books of accounts, including balance

¹⁸⁴ “*CSR in Pakistan : A legal perspective with Reference to MNEs*” available on <<https://doi.org/10.5539/jpl.v12n3p87>> (Last accessed august 20,2020).

¹⁸⁵ “*SECP code of Corporate Governance 2012*” Available on <www.secp.gov.pk/CG/CodeOfCorporateGovernance_2012_AmendedJuly2014.pdf> (Last Accessed August 4, 2021).

sheets, income statements, cash flow statements, etc., are required by the Firms under The Companies Act 2017 for all registered companies to report and keep.

Numerous new businesses have emerged in recent years. Companies' performance depends on their ability to focus on new dimensions. Businesses now understand their obligations to the community more than ever before. These days, businesses care not just about making a profit but also about positively impacting the world around them. An increasing number of businesses throughout the globe are beginning to recognize the importance of corporate social responsibility (CSR) in ensuring the longevity of our planet's ecosystems and the supply of natural resources. Now more than ever, businesses understand that safeguarding the communities and ecosystems they contribute to is essential to their long-term prosperity.¹⁸⁶

3.4.1 Regulatory aspects of CSR in Pakistan:

Transparency and accountability in Pakistan's business sector are priorities for the Securities and Exchange Commission (SEC). Corporate social responsibility (CSR) would bolster firms' stakeholder accountability if it were to support the Code of Corporate Governance. The Security and Exchange Commission of Pakistan (SECP), in collaboration with the United Nations Development Programme (UNDP), is undertaking research on the current condition of CSR in Pakistan and formulating a plan for ensuring that CSR principles are effectively implemented across the country.

Although the SECP has introduced a law the CSR order 2009 that requires companies to disclose information about their CSR activities, the regulatory

¹⁸⁶“ *Corporate social responsibility*” available on <<http://www.chowrangi.com/corporate-social-responsibility.html>> (Last accessed February 16, 2021).

framework of Pakistan primarily focuses on reporting financial information. It pays little attention to the disclosure of social and environmental performance. The CSR Order 2009 emphasizes the broad categories of information a firm may use to convey its CSR performance in its annual report.¹⁸⁷

Corporate social responsibility reporting aims to show a company's accountability to stakeholders outside its shareholders; however, unlike financial reporting, there is no universally accepted structure for CSR reports or the metrics that should be included in them.

3.4.2 Security and Exchange commission of Pakistan (SECP) seminar on corporate social Responsibility (CSR):

Pakistan's Securities and Exchange Commission (SECP) recently hosted a second advisory session titled National Corporate Social Responsibility Strategy Conference was held to dissect the results of a research project on CSR in Pakistan. The research, titled Evaluation of the State of Corporate Social Responsibility in Pakistan and a Strategy for Implementation, was done as a first step in evaluating CSR in the Pakistani corporate sector.¹⁸⁸

Representatives from companies such as Proctor & Gamble Pakistan, Engro Chemicals Ltd., Indus Motors, Shell Pakistan, the Pakistan Centre for Philanthropy,

¹⁸⁷“SECP promulgates corporate social responsibility order 2009”available on<<http://www.dailytimes.com.pk>> (Last accessed July 11, 2020).

¹⁸⁸ “SECP seminars on CSR” <available on<<http://www.worldtraderreview.com/news.asp?pType=N&iType=A&iID=130&siD=12&nID=26699>> (Last accessed May 5, 2021).

and other large banks sent representatives to the conference. The attendees provided insightful feedback on why CSR initiatives are necessary for the nation.¹⁸⁹

3.4.3 Security and Exchange commission of Pakistan (SECP) promulgates CSR General Order 2009:

The Corporations (Corporate Social Responsibility) General Order, 2009, was issued by the Securities and Exchange Commission of Pakistan to mandate quantitative and qualitative reporting of companies' CSR efforts. To ensure that firms' yearly audited accounts include narrative and monetary disclosures of their corporate social responsibility (CSR) efforts, the General Order mandated that companies' boards of directors provide such reports to their shareholders. The mandate went into effect for all publicly listed companies on July 1, 2009, the start of the fiscal year.¹⁹⁰

The order covers the following disclosures whenever required:

- Corporate philanthropy
- Energy conservation
- Environmental protection measures
- Community investment and welfare schemes
- Consumer protection measures
- Welfare spending for under-privileged classes
- Industrial relations

¹⁸⁹ “SECP seminars calls for CSR strategy” Available on <www.secp.gov.pk/news/pdf/news-06> (Last accessed May 5, 2011).

¹⁹⁰ “SECP promulgates corporate social responsibility order 2009” Available on <<http://www.dailytimes.com.pk>> (Last accessed May 11, 2021).

Employment of special persons
Occupational safety and health
Business ethics and anti-corruption measures
National-cause donations
Contribution to national exchequer
Rural development programs.¹⁹¹

3.5 Legal Aspects of CSR in Pakistan

All of this shows that consumers, workers, and the environment's rights are protected by Pakistani law but that these protections are not always effectively enforced. Some have claimed that the state of Pakistan does not do enough to safeguard consumer rights or limit pollution. Multiple factors have been cited as causes of Pakistan's lax enforcement of social and environmental laws. Companies are less likely to respect the letter of laws protecting workers' rights, the environment, and consumers when there is a lack of effective law enforcement.

3.5.1 Case Study of CSR in Pakistan

Case Law: supreme court of Pakistan

In 2013, the Supreme Court issued a seminal ruling on international and domestic corporations' corporate social responsibility (CSR) initiatives. The Oil and Gas Development Corporation Limited (OGDCL), which is controlled by the state, was also sued because it expanded its oil and gas exploration and mining operations throughout the country. An applicant from the Sanghar district claimed that oil and

¹⁹¹ "Companies CSR General order 2009" Available on <<http://www.digitalibrary.kcci.com.pk/bitstream/3241>> (Last accessed March 18, 2021).

gas exploration companies operating there are breaking the law and the terms and conditions of the petroleum concession agreement they signed with the government of Pakistan by failing to take appropriate measures to control pollution, provide locals with employment, and provide access to natural gas. The Supreme Court found that traditional legal remedies are sometimes inadequate for citizens without substantial financial means, especially against compelling businesses and corporations. The Director General of Petroleum Concessions (DGPC) responded that the contractual duties and commitments of exploration and petroleum (E&P) corporations amounted to tens of millions of euros. The Petroleum Concession Agreement (PCA) between an E&P and the government lays out the stipulations for developing, capacity building, and environmental protection in the region where oil and gas are exploited. According to the PCA, hiring locals for unskilled labor is mandatory, and the rest of the staff must also be from the area. Furthermore, licensees are responsible for preventing the destruction of any forest property and complying with all local, state, and federal environmental protection and pollution management regulations.¹⁹²

3.5.2 Seminal ruling of Supreme Court:

According to the judgment handed down by Pakistan's highest court, social welfare obligations imposed on E&P corporations are not being met, and neither enough effective monitoring nor enforcement is in place to ensure these obligations are being met. The Supreme Court stressed that DG PC has the jurisdiction to take enforcement

¹⁹²“*CSR in Pakistan: A legal perspective with Reference to MNEs*” Available on <<https://doi.org/10.5539/jpl.v12n3p87>> (Last accessed August 20, 2020).

action against any firm that is found to violate such permit, license, lease, agreement, or regulation.¹⁹³

3.5.3 Legal Remedied in case of violation of CSR activities.

After reviewing all the papers and hearing from the parties, the Supreme Court ruled that the DG PC must henceforth request updates from all E&P companies every six months on their progress toward fulfilling their social welfare commitments. It also required the Public Complaints Commission's Director General to provide a report outlining the projected amounts of royalties on E&P in return for commitments to the welfare of people and the environment under the PCA. It also suggested that the federal and provincial governments publicly and transparently draft regulations for monitoring and implementing welfare obligations and investigating the utilization of that money.¹⁹⁴

3.5.4 Mandatory Nature of CSR.

Based on the ruling in this case, it is clear that even though there is no possible law regarding CSR, companies and concerned departments may be compelled to fulfill their obligations following contracts they have signed and by invoking the jurisdiction of courts under Article 184 (3) of the Constitution of Pakistan, 1973.¹⁹⁵ Since local and foreign corporations were deemed accountable and liable for the actions carried out in any location in Pakistan, this judgment also serves as a stepping stone for the future of

¹⁹³Const. P. 46 of 2013 Supreme Court of Pakistan, Titled Abdul Hakeem Khosa'sSuo Moto Case (PLD 2014 SC 35)pp

194 SC 350) Const. P. 46 of 2013 Supreme Court of Pakistan, Titled Abdul Hakeem Khosa's Suo Moto Case (PLD 2014)

¹⁹⁵Under Article 184(3), the Supreme Court has the power to make an order on questions of public importance with reference to the enforcement of any of the Fundamental Rights.

CSR in Pakistan. It was made apparent that residents have priority when it comes to openings formed due to the company's operations by referencing the terms and conditions of the exploration license. Not only did this case highlight the importance of CSR to society, but it also highlighted the loopholes that firms use to avoid billions of dollars in annual commitments.

3.5.5 The Case of the Khaadi Controversy

Pakistan is working to establish itself on the international CSR scene while facing several challenges. Khaadi, a clothing company, has recently been the target of internet criticism for its lackluster corporate social responsibility (CSR) initiatives in the nation. Even though the country has a relatively low internet penetration rate, this unusual instance has revived the discussion of corporate social responsibility (CSR) in the apparel business, which faded from the spotlight after the 1990s scandal involving Iqbal Masih. This case study is to explore, from the stakeholders' point of view, the causes behind inadequate CSR practices in Pakistan and provide some suggestions to address the problems.¹⁹⁶

¹⁹⁶“*CSR in Pakistan: The Case of the Khaadi Controversy*” available on <<https://www.mangobaaz.com/khaadi-scandal-new-development>> (Last accessed May 3, 2021).

3.6 Corporations CSR Practices in Pakistan

In 2020, CSR is still a nebulous notion yet to be fully fleshed out. CSR (corporate social responsibility, is a movement that pushes businesses to care about the community and the environment as much as they care about their bottom line. These days, corporate America spends much money on corporate social responsibility (CSR) because of the importance that consumers place on it.

Corporate social responsibility efforts in Pakistan are essential to the nation's much-needed economic and social transformation. The business sector's contribution to solving Pakistan's problems is crucial. It is the main reason why CSR initiatives have recently blossomed in Pakistan.¹⁹⁷

Here, we will look at the corporate social responsibility initiatives taken by a selection of Pakistani and international businesses. (For this analysis, we have chosen to focus on four MNCs based in the country: three international firms (two Chinese and one non-Chinese) and one local firm. We will review the report they officially issued under the SECP Guidelines we discussed before. In addition, we'll review a report from the US Department of State that provides a description and evaluation of CSR in Pakistan.

¹⁹⁷“*CSR activities in Pakistan*” Available on < <https://www.transparenthands.org/csr-activities-in-pakistan/>> (Last accessed May 4,2021).

3.6.1 Case of Corporate Social Responsibility (CSR) Nestle Pakistan

As a global leader, Nestle must tread carefully when discussing social and community concerns, yet the company has a strong belief system regarding CSR activities. With a combined population of over 200 million people, developing countries like Pakistan represent enormous markets for Nestle, and the company has much work to do in terms of corporate social responsibility (CSR) there.

Nestle Pakistan believes that it is crucial for every business, regardless of location, to become a part of the local economic, cultural, and social fabric. Companies need to be socially responsible and pay equal attention to qualitative and quantitative concerns. Making a profit is important, but so is contributing to the growth of society as a whole. Nestle has used two corporate social responsibility (CSR) strategies in Pakistan.¹⁹⁸

- Social Investment
- Through the realization that business creates social and environment impact by incorporating the CSR into its operations

Nestle Pakistan is devoting significant resources to

- Environment
- Education
- Health
- Society
- Quality Assurance

¹⁹⁸ "CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A TOOL FOR VALUE CREATION; A STUDY OF NESTLE PAKISTAN" available on <<https://www.semanticscholar.org/paper/Corporate>> (Last accessed May 10, 2021).

Earthquake in Pakistan

In October 2005, a devastating earthquake devastated Pakistan, killing over 300,000 people and forcing over a million from their homes. Because of the gravity of the situation, everyone in the nation intends to help. As a good corporate citizen, Nestle had long-term goals that would benefit the nation and its people. They came up with a three-step strategy.

Nestle's first reaction was to deliver food and water to the affected areas.

Consequences: Following the crisis, it was time to assist people in rebuilding their homes and provide them with material and emotional aid. They gave the affected people twenty million RS in aid. They also assured existing workers that they would provide ongoing assistance while they rebuilt their houses after the disaster.

The staff at Nestle took it upon themselves to help those in need, and they raised and donated almost RS 3.3 million to those in need. Many of the international employees helped out the domestic labor. Around the clock, five volunteer teams of staff members, a medical team from King Edward Medical University, and the workers of Nestle and Nestle's parent company worked to aid the victims.¹⁹⁹

3.6.2 CSR Activities of Zong

¹⁹⁹“CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A TOOL FOR VALUE CREATION; A STUDY OF NESTLE PAKISTAN” available on <<https://www.semanticscholar.org/paper/Corporate>> (Last accessed May 10, 2021).

The first example is Zong Mobile Network, one of Pakistan's five largest network providers. Zong is Pakistan's leading telecom provider, much as China Mobile is global. The current iteration of Zong has been around since 2008, and by 2014, the firm had already poured over \$2 billion into various projects. According to Minister of IT Anusha Rehman, Zong wants to spend another billion dollars over the next two to three years (Azam Khan 2014). Due to the country's massive budget and investment in the company, Zong unmistakably symbolizes China in Pakistan on the technological and informational front. The time has come to evaluate Zong's CSR efforts and determine whether or not they are being fully realized. For several years, Zong has participated in corporate social responsibility initiatives. Unfortunately, it was not until 2017 that they issued their first CSR Report covering the preceding calendar year. Zong's corporate social responsibility report for 2017 was posted on the company's website and detailed its activities during 2016. Although the firm did not provide any monetary numbers in the report to demonstrate the scope of its CSR operations, it did provide a rather detailed description of all the CSR-related initiatives it completed. In the following paragraphs, which serve as a summary of the report, we will briefly explore them. Zong used not just financial resources for CSR but also staff volunteerism to effect positive change and advance society. Zong's 'A New Hope' initiative coordinates its staff's volunteer efforts and uses its partner organizations' resources to complete its mission each year, logging over 2,000 service hours. Volunteer activities included internet training at Mashal Model School, community mobilization, and spending a day with the children of SOS Village in Islamabad. The floods between 2010 and 2013 impacted more than 20 million people. Zong provided aid to the affected population by providing them with shelter,

food, rations, medical care, and other necessities. Zong's volunteers gave aid to around 4,000 homes in the area.

Zong has partnered with a program to provide healthcare to underserved communities through virtual clinics accessible over the internet. Zong has periodically held blood donation campaigns all across the country. Zong also works hard in the social sector to aid the community's most vulnerable members, such as single mothers, children without fathers, the poor, and those with physical or mental impairments. A move made by Zong and UNICEF Pakistan to combat polio in the nation was, however, left out of the initial article. Zong has partnered with HEC to provide 100,000 students with internet access, built a state-of-the-art GSM lab at NUST with the help of Huawei, and created a 4G Internet Lab at Mashal Model School. CEO Zong Liu Dianfeng said, "The success of our nation's children, universities, and students is something I care greatly about." Our low-priced items should be freely accessible to youngsters so that they may get a head start on their future.²⁰⁰

3.6.3 CSR Activities of Pakistan State Oil

The government of Pakistan owns Pakistan State Oil (PSO), the country's major petroleum marketing corporation (Hussain, 2015). Pakistan State Oil, which began operations in 1976, is the country's primary provider of petroleum products. It is the first publicly traded firm in Pakistan to have annual sales of more than one trillion rupees. PSO is well-known for its philanthropic efforts and long history of CSR involvement. PSO's mission for its CSR initiatives is outlined under the term

²⁰⁰ "*Corporate Social Responsibility - Zong Pakistan*" available on <<https://www.zong.com.pk/about-zong/csr>>(Last accessed July 17, 2022).

sustainability While PSO is an oil and fuel corporation, it supports a wide variety of other causes, including those linked to education, health, community service, women's empowerment, the care of children with disabilities, the promotion of sports, and the assistance of those affected by natural disasters like floods. PSO pledges to abide by the principles outlined in the UN Global Compact. In June of 2016, PSO became a UN Global Compact Community member.²⁰¹ It shows the company's dedication to CSR principles in human rights, labor rights, the environment, health, and safety, all of which will benefit future generations (Yu and Zia-ud-Din 2018). Behbud Association (Welfare Association) is a national NGO that supports women's empowerment via projects in reproductive health, education, professional training, and community development. PSO has funded and provided in-kind assistance to the organization. Rashid Memorial Welfare Organization, whose work includes healthcare, education, vocational training, poverty reduction, etc., is another organization that PSO collaborates with and provides assistance. Pakistan State Oil has made disaster relief services and facilities available on many occasions. A major earthquake or flood afflicts the nation or a significant portion. Tents, mosquito nets, ration bags, mineral water, and other supplies were distributed by PSO to the people of Baluchistan after the 2013 earthquake, which killed thousands of people and left hundreds of thousands homeless. In 2010, when Pakistan was hit by one of the worst

²⁰¹ “[Corporate Social Responsibility | Pakistan State Oil](https://psopk.com/en/csr)”available on <<https://psopk.com/en/csr>> (Last accessed July 17,20220).

floods in its history, PSO was there to offer prepared meals and distribute relief materials, including ration bags, tents, blankets, and cookies, to those in need. Similarly, in September 2011, PSO put up three medical camps where medications were given out for free and ration bags and other essentials to over two thousand people in need due to monsoon rains. The Pakistan State Oil Company is always eager to provide its assistance to causes benefiting children with special needs. It has helped the Institute of Special Children in Quetta upgrade its facilities to provide better educational opportunities for children with special needs. The Pakistan Social Organization provides financial aid to the Pakistan National Institution for the Deaf in Kamoke City and the institute in Quetta. PSO has donated money to the Munir Arshad Memorial Trust and the Family Education Services Foundation, two organizations with similar missions to aid children with special needs.²⁰²

3.6.4 CSR Activities of Unilever

Unilever Corporation is another firm with operations in Pakistan that actively implements CSR policies and procedures. In 1948, the Dutch-based Unilever Corporation established a presence in Pakistan. On March 19, 2018, Unilever Corporation, one of the largest multinational corporations operating in Pakistan, revealed plans to spend more than USD 120 million (UNILEVER 2018). Unilever says on its website. "Our ambition is to find a new way of conducting business—one that provides growth while helping society and the world." Unilever has been actively reporting on its CSR involvement and participation. A few of them are included

²⁰² "Family Education Services Foundation is a non-profit educational organization which operates in Karachi. FESF has established a school for the Deaf in Karachi as well as two vocational training centers for Deaf students; one in Karachi which has been running for the past 16 years, and another in Lahore which was opened 12 years ago."

below for quick access. Three primary goals have been established for Unilever to accomplish by 2020. Specific objectives are broken down further into sub-categories within the three broad areas of Health, Environment, and Better Livelihood. Among Unilever's health goals are the promotion of regular hand washing to prevent the spread of diseases like cholera and diarrhea, the provision of clean water, expanded access to latrines, and better dental care. Details show that the final goal below has already been accomplished, with 538 million people having access to clean water by the end of 2016. Unilever is working to enhance people's diets by lowering sodium and saturated fat content. By 2030, Unilever hopes to have halved the greenhouse gas effect of its goods over their whole lifespan, and by 2020, the company plans to have its CO2 emissions from energy consumption in factories at or below 2008 levels, despite the much larger volume. Their website claims that between 2008 and 2018, greenhouse gas impacts grew by around 8% per customer usage, but CO2 from energy per ton of manufacturing decreased by 43%. Unilever is committed to implementing the United Nations Guiding Principles on Business and Human Rights, creating a framework for fair compensation, enhancing employee health, nutrition, and well-being, and decreasing workplace injuries and accidents to raise the standard of living for all people, employees in particular. Through increased access to training and skills development, improved community safety for women, and more access to economic opportunities, Unilever plans to empower 5 million women by 2020.²⁰³

²⁰³ “*Unilever's Corporate Social Responsibility & Stakeholders*” available on <<https://panmore.com/unilever-corporate-social-responsibility-stakeholders>> (Last accessed July 17, 2022).

3.6.5 CSR Activities of Huawei

Huawei, a Chinese smartphone manufacturer, is a global behemoth with offices on all seven continents. In 2012, it surpassed Ericsson as the world's biggest manufacturer of telecommunications equipment (The Economist, 2012), and in 2017, it overtook Apple to become the second largest smartphone manufacturer in the world, behind only Samsung (Eyerys 2017). Huawei is a major smartphone manufacturer and distributor in the Pakistani market. Let us examine Huawei's corporate social responsibility projects presently. As seen by its annual CSR report, Huawei is dedicated to positively impacting the world. We will use the 2016 report they have posted online as an example (Huawei 2016). This paper discusses Huawei's corporate social responsibility initiatives around the globe. However, for the time being, we will focus only on Huawei's actions in Pakistan. As part of its commitment to its extended producer responsibility, Huawei maintains a Global Green Recycling Program to collect and process obsolete mobile phones, tablets, and other electronic waste." Huawei takes steps to guarantee that trashed phones and other electronics are handled in an eco-friendly way by partnering with organizations that share this goal. With this goal in mind, Huawei has established ten recycling centers throughout Pakistan.

Regarding academic endeavors, Huawei hosted a worldwide ICT competition at the National University of Science and Technology (NUST). In September of 2017, the

Huawei Company donated school supplies, water coolers, and microwaves to 10 institutions of higher learning and three medical facilities, including Shifa International Hospital and PIMS (TNS World 2017). As was previously noted, Huawei and Zong have set up cutting-edge GSM labs and educational facilities at NUST and UET (UET). Since 2002, when Huawei first began supplying telecom equipment to UET for use in a collaborative research and development and training facility, the two companies have worked together. Approximately 5,000 local engineers and students have been taught at the institution thus far (Pro-Pakistani 2017). Huawei demonstrated its commitment to long-term development and corporate social responsibility by signing "The Compact for Responsive and Responsible Leadership" at the World Economic Forum in January 2017. Huawei's Chairwoman, Madam SunYafang, said that the business would work to guarantee that its long-term aims were in line with society's (Ibid). Huawei Pakistan has unveiled solar-wind hybrid solutions, demonstrating the company's continued commitment to exploring alternative energy sources.²⁰⁴

²⁰⁴ “ *Corporate Social Responsibility - PTCL* ” available on <<https://ptcl.com.pk/Info/Corporate-Responsibility>> (Last accessed July 18, 2022).

3.6.6 PTCL's efforts to promote CSR activities in Pakistan

Pakistan Telecommunication Company Limited has also established specific targets involving social and environmental concerns in Pakistan. The well-known telecommunications firm is involved in several corporate social responsibility initiatives in Pakistan. PTCL's main focus areas are health, education, the environment, and community service.

PTCL's tree-planting campaigns indicate the company's commitment to environmental protection. There are also initiatives geared at youngsters that teach them to be good people and productive citizens. Human resource management provides a window into the company's treatment of its staff. PTCL's workers have reaped several benefits from the company's deal with CBA.

In addition to these CSR efforts, PTCL is involved in many other initiatives around Pakistan. Benefits for workers after they retire are also offered, such as blood donations and medical care.²⁰⁵

3.6.7 Coca Cola highlighted the need for increased CSR Activities in Pakistan

The Edhi Foundation, the largest social service provider in Pakistan, was the beneficiary of the "Bottle of Change" campaign. Coca-Cola led this massive CSR initiative in Pakistan. The fact that Coca-Cola cared so much about this marketing is

²⁰⁵ “ *Corporate Social Responsibility - PTCL*” available on <<https://ptcl.com.pk/Info/Corporate-Responsibility>> (Last accessed July 17, 2022).

astonishing. The company has pledged to match any contributions made throughout the campaign period. In 2016, Coca-Cola's Entrepreneurship Program was recognized as a SABRE gold medal winner.

With these two stellar initiatives, Coca-Cola has established itself as a frontrunner among CSR organizations in Pakistan. It would be fantastic if more businesses could follow suit.²⁰⁶

3.6.8 MCB's major contributions in CSR activities in Pakistan

It would not be very ethical of me to downplay the role that MCB has played in this. Without MCB's support, several CSR projects in Pakistan would not have been realized. The areas of government, culture, sports, health, and education all get some attention.²⁰⁷

3.7 Corporate Social Disclosure in Pakistan: A Case Study of Fertilizers Industry

Considering social responsibility into the general managerial practices of firms, incorporating the dimensions of the socio-cultural environment into business procedures, and compliance with other ethical and regulatory issues are all crucial to the performance of firms in the corporate sector (Nazir et al., 2009). Their respective roles in corporate social responsibility in Pakistan are Engro Chemicals, Fauji

²⁰⁶“*CSR Activities in Pakistan*” available on < <https://www.transparenthands.org/csr-activities-in-pakistan/>> (Last Accessed July 17,2022).

²⁰⁷“*CSR Activities in Pakistan*” available on < <https://www.transparenthands.org/csr-activities-in-pakistan/>> (Last Accessed July 17,2022).

Fertilizers, and Dawood Hercules Chemicals. Despite dealing in fertilizers, one of the most hazardous industries, these businesses are taking CSR and environmental safety into account to win over consumers and other important stakeholders.²⁰⁸

3.7.1 Case Study 1 -- ENGRO CHEMICALS

LIMITED

Engro Chemicals Pakistan Limited is based in Pakistan and primarily focuses on the manufacturing and marketing of fertilizer. Its urea fertilizer manufacturing site is situated in Daharki in the province of Sindh.

Engro Environmental Standards

Engro believes environmental performance is critical to upholding responsible business operations, and has worked hard at monitoring, controlling and reducing wastes while conforming to relevant environmental standards.²⁰⁹

Major Social Interventions by Engro

Affiliates in 2008-2009

In 2008, ECPL and its subsidiaries invested Rs. 32 million back into the local community. As you will see below, Engro has focused much of its philanthropic activities on these five areas: education, health, skill development, the environment, and disaster assistance.

- Education Initiatives

²⁰⁸ Nazir, MS, A Haque, and S Ali.(2009), “*Can Board Mechanism Affect the Firm Value in Pakistan*”, *Corporate Ownership and Control*,(Vol. 6, No 3) 308-317

²⁰⁹ “*ENGRO Community (2009)*” available on<http://www.engro.com/corporate_responsibility/engro_community/index.php>(Last accessed January 4, 2022).

- Health Initiatives

Skills Initiatives

Social Investments

In 2008, ECPL donated about Rs. 40 million under its social investment portfolio as part of its ongoing commitment to bettering the lives of its stakeholders, particularly those in the surrounding communities. This section details the primary efforts made by Engro in 2008.

Sahara Welfare Society Projects

- Sahara Community School
- Dar ul Shifa Clinic
- Sahara Arts & Crafts Center
- Teaching and Resource Center (TARC)
- Katcha Schools' Program
- Government Schools' Adoption Program
- Snakebite Treatment Facility
- Indus River Dolphin Conservation Project
- Clinic in partnership with Marie Stopes Society
- Engro Thalassemia Center
- Earthquake Relief in Baluchistan

3.7.2 Case Study 2 -- FAUJI FERTILIZER COMPANY LIMITED

Background

FFC was founded in 1978 as a private limited corporation to achieve national fertilizer independence. The effort was a collaboration between Haldor Topsoe A/S of Denmark and the Fauji Foundation of Pakistan, a prominent charity organization in Pakistan. The corporation started up with an authorized capital of 813.9 Million Indian Rupees. There are now 3.0 billion shares in the company's share capital. In addition, FFC has shares worth Rs. 1.0 billion in Fauji Fertilizer Bin Qasim Limited, a wholly-owned subsidiary (formerly FFC-Jordan Fertilizer Company Limited). In 1982, FFC began producing urea commercially, with an annual capacity of 570,000 metric tons.²¹⁰

3.7.3 Case Study 3 – DAWOOD HERCULES CHEMICALS LIMITED

Background

On April 17, 1968, the Dawood Group of Industries and Hercules Inc. of the United States of America formed the public limited company, Dawood Hercules Chemicals Limited. It was the biggest ammonia/urea factory in Pakistan at the time and the first private sector enterprise in Pakistan to secure a loan from the World Bank. The initial annual output of the facility was 345,000 metric tons of urea. In 1989/1991, the factory underwent renovations to increase production to 445,500 metric tons of urea per year. It also improved the efficiency of the factories' energy use.²¹¹

²¹⁰ “*FFC CSR 2009*” available on< <http://www.fauji.org.pk/Webforms/CSR.aspx?Id=189>> (Last accessed January 4, 2022).

²¹¹ “*Dawood Hercules Environment (2009)*” available on<<http://www.dawoodhercules.com/environment.html>> (Last accessed January 4, 2022).

3.8 Dimensions of CSR

Internal Dimensions/ Constituencies of Corporate Social Responsibility

Environmentally related duties include management of natural resources utilized in manufacturing, whereas internal components of CSR refer to socially responsible activities inside the organization, particularly addressing the health and safety of people and managing change. Roberts in 2003 stated that following ethical guidelines is Standard Practice for corporations. These guidelines provide primary requirements for issues of health and safety, environmental preservation, worker rights, and human rights.²¹²

3.8.1 Human Resource Management

Attracting and keeping talented, committed workers is a pressing issue for today's businesses. Learning and empowering employees, better information across the organization, increased workforce diversity, job security, comparable pay, and employee career development are all relative measures that can help businesses attract and retain a competent workforce.²¹³ How prospective workers and employees see a company's commitment to social responsibility is a major factor in whether or not that company is appealing to work for society. Similarly, the fairness of an organization's

²¹²Jorgensen, A. & Knudsen J.(2005)Sustainable competitiveness in global value chains corporate social responsibility. *Corporate Governance* 6(4),

²¹³ “ EU Green Paper (2001) Promoting a European Framework for Corporate Social Responsibility” available on <www.btplc.com/Societyandenvironment/Reports/GreenpaperonCSR.pdf> (Last accessed March 15,2022).

actions towards its employees is a major factor in shaping the attitudes and behaviors of its workforce, as stated by Cropanzano, Byrne, Bobocel, and Rupp. Businesses that invest time and effort into cultivating positive connections with their staff get returns from higher morale and productivity from their workers and a more positive public perception.²¹⁴ Human capital is crucial to the success of modern businesses, argued Nancy in 2004. Human resources managers and executives are taking a more active role in championing CSR and figuring out how to incorporate it into their organizations strategically. Human resources professionals, in this opinion, should be aware that a successful CSR policy demonstrates sensitivity to cultural and developmental variations as well as ideas, values, and beliefs from all over the world in the context of global HR programs and policies.²¹⁵ Rupp, Ganapathi, Aguilera, and Williams in 2006 argued that corporate social responsibility (CSR) is crucial to developing mutually beneficial partnerships between companies and their surrounding communities. Employees, they reasoned, would use CSR as a yardstick for how much their employer cares about the people who work for it and the communities in which it operates.²¹⁶ According to a poll conducted by Murray in 2008, more than a third of respondents ranked working for a responsible and caring company as more important than receiving pay; almost half would turn down a firm that lacked appropriate CSR

²¹⁴Cropanzano, R, Byrne, Z. S., Bobocel, D. R., & Rupp, D. E. "Moral virtues, fairness heuristics, social entities, and other denizens of organizational justice" *Journal of Vocational Behavior*(2001): 58,164–209.

²¹⁵"Corporate social responsibility: HR's leadership role" available on <http://www.shrm.org/Research/quarterly/1204RQuart_essay.asp> (Last accessed May,2022).

²¹⁶Rupp, Deborah, E., Ganapathi, Jyoti, Aguilera, Ruth, V., Williams & Cynthia, A. "Employee reactions to corporate social responsibility: an organizational justice framework" *Journal of Organizational Behavior*(2005): 27, 537-543.

practices. The elderly and individuals with disabilities are all potential employees who may be included in a company's workforce if the hiring process is handled responsibly²¹⁷. Companies that engage in CSR initiatives want to demonstrate to their workers and the public that they value fairness and diversity by adhering to these principles. Several studies have shown that CSR benefits HR policies by fostering a more trusting and collaborative work environment, inspiring workers, boosting productivity, and improving internal communication.²¹⁸ Several studies show that socially responsible companies have a more loyal and engaged workforce²¹⁹.

3.8.2 Health and Safety at Work

To gauge an organization's total success, occupational health and safety, according to Segal, Sobczak, and Triomphe is a crucial part of corporate social responsibility. Measures taken to ensure employees' health and safety on the job also improve their effectiveness and output. Laws are the primary means through which a government ensures its citizens' health and safety. Regardless of the laws, companies today are taking the initiative to address this problem. Organizations in labor-cost-advantaged markets that outsource their operations aim to keep their facilities secure while also monitoring the behavior of their partners and suppliers to make sure they do the same.

²¹⁷ “*Corporate social responsibility is the number one criteria for job hunters today*” available on <<http://normmurray.org/2008/02/18/corporate-social-responsibility-is-the-number-one-criteria-for-job-hunters-today/>> (Last accessed March 15,2022).

²¹⁸ “*Corporate social responsibility: engaging small and medium sized enterprises in the debate*” available on <www.brass.cf.ac.uk/wpcsrcengagingsmeshj0904.pdf12/04/2004> (Last accessed March 16,2022).

²¹⁹ “*CSR a challenge for HRM?*” available on <http://www.humanresourcesmagazine.com.au/articles/22/0c01d922.asp> 10/01/2004 (Last accessed March 17,2022).

Time and money-saving strategies for recording, assessing, and conveying these standards are now being developed in developing countries.²²⁰

Corporate social responsibility (CSR) had progressed since the 1990s when the first management systems were created. Standards and guidelines like ISO 9000 (Quality Management), ISO 14000 (Environmental Management), OHSAS (Occupational Safety and Health Administration), and SA (8000) social responsibility are often included in such systems, as stated by Zwetsloot. Several studies have been conducted to determine how much of an impact health and safety improvements have on a company's bottom line and productivity. For instance, investments in workers' health have been shown to increase output and reduce payroll expenses, according to research conducted by the European Agency for Health and Safety at Work. A large body of current academic research suggests that most workplaces have vastly improved over the last several years, yet many basic issues remain unaddressed.

²²⁰ “EU Green Paper (2001) Promoting a European Framework for Corporate Social Responsibility” available on www.btpic.com/Societyandenvironment/Reports/GreenpaperonCSR.pdf (Last accessed March 18, 2022).

3.8.3 Management of Environmental Impacts

The negative effects on the environment may usually be mitigated by cutting down on harmful emissions or using resources and garbage. Waste minimization and energy conservation are also beneficial for commercial enterprises. These investments are "win-win" in the environmental context since they benefit both the environment and the company investing. Over many years, this principle was implemented, and in 2002, it was officially acknowledged in the 6th Environment Action Program of the European Commission. For that reason, it would be a mistake to discount the significance of this facet of CSR. It will also help companies reduce their spending on pollution and energy. Voluntary steps implemented by organizations vs. government-enforced rules is a topic of ethical discussion. Companies are investigating how the expanding green movement has affected their bottom line. For several reasons, government regulations provide little motivation for developing environmentally sound strategies for improving performance. Third, environmental laws formulated without any input from the public are less likely to be effective than those that do include public input for the following reasons:

1. Environmental issues are regulated and viewed in terms of by products produced during production, resulting in an end of the pipe reaction.
2. Prevention strategies must be oriented to cope with particular business needs, which vary from country to country according to the legal structure.

3. Public input is not always solicited or welcome.²²¹ As stated by Thornton, Gunningham, and Kagan (2005), businesses are pushed by legal and societal consequences. They also said that companies that do not follow these regulations would be subject to increased scrutiny from environmental organizations and a loss of market share from unhappy customers.²²²

3.8.4 External dimensions/ Constituencies of CSR

The term "external dimensions" describes how activities relate to those outside the organization. Beyond shareholders and workers, CSR focuses on many other stakeholders, including consumers, suppliers, and non-governmental organizations (NGOs) representing the local community and the environment. Developments in CSR activities at major corporations have also contributed to the maturation of global governance. Business associates, neighborhood members, and advocates for civil liberties make up the three axes.

3.8.5 Business Partners

A company's ability to satisfy the demands of its consumers improves when it builds long-term, trusting relationships with its clients, suppliers, and even rivals.²²³ CSR will have a beneficial effect not just on the company itself but also on its suppliers, rivals, joint ventures, and partnerships. Companies collaborating closely with one

²²¹Harrison, K. "Talking with the donkey: Cooperative approaches to environmental protection" *Journal of Industrial Ecology, Spring(1998): 51-72.*

²²²Thornton, D., Gunningham, N.A., & Kagan, R.A. "General deterrence and corporate environmental behavior" *Law and Policy(2005):27(2),263-291.*

²²³ "Corporate Social Responsibility as a determinant of market success: An exploratory analysis with special reference to MNCs in emerging markets" available on http://www.coolavenues.com/know/gm/corporate_citizenship.php (Last accessed March 18,2022).

another may boost product quality while cutting costs. Maintaining solid ties with such associates is crucial. Fair pricing, high-standard products, and dependable shipping are the fruits of partnerships. However, companies may show their respect for norms and national competition laws by adhering to CSR standards.²²⁴ When doing business, it is important for companies to keep in mind the moral standards of their partners and how such values could be compromised. The company's CSR policies have ramifications for its commercial partners and the company itself. It is especially true of major corporations that have outsourced a substantial portion of their products or services and are, as a result, more engaged in CSR policies about their suppliers. In order to be seen as socially and ecologically responsible, companies must meet consumer demand for their goods in a way that is both cost-effective and protective of the environment.

3.8.6 Local Community

CSR aims to bridge the gap between businesses and their surrounding communities. Businesses contribute to the local community through employment, earnings, and other advantages. Companies can only thrive if the areas in which they are based are thriving. For instance, because most companies hire locally, they are invested in the ready availability of the talent they need. Additionally, most small or medium

²²⁴ "EU Green Paper Promoting a European Framework for Corporate Social Responsibility" available on <www.btplc.com/Societyandenvironment/Reports/GreenpaperonCSR.pdf> (Last accessed March 18,2022).

business consumers are found inside the immediate area.²²⁵ In order to get an edge, businesses should try to learn about the local culture and traditions. There is communication between businesses and residents in the area²²⁶ Consequently, initiatives like providing supplementary vocational training, hiring formerly marginalized individuals, funding environmental nonprofits, forming partnerships with local communities, providing childcare for employees, and sponsoring cultural events and local sports could all contribute to community growth. At the same time, commercial enterprises share some of the blame for the environmental damage caused by their activities.

3.8.7 Human Rights

Most corporations operate in nations where human rights abuses are common, creating tense situations with their workforce, government partners, stockholders, and communities (Robbins, 2000)²²⁷ Amnesty International maintains that businesses have the ultimate duty to uphold human rights in all of their dealings. Human rights problems may create moral, legal, and political quandaries. There are several obstacles that businesses must overcome, such as determining who is responsible for wrongdoing and how to do business in nations with a history of human rights abuses.

²²⁵ “*EU Green Paper Promoting a European Framework for Corporate Social Responsibility*” available on <www.btplc.com/Societyandenvironment/Reports/GreenpaperonCSR.pdf> (Last accessed March 18, 2022).

²²⁶ “*Corporate Social Responsibility as a determinant of market success: An exploratory analysis with special reference to MNCs in emerging markets*” available on http://www.coolavenues.com/know/gm/corporate_citizenship.php3 (Last accessed March 18, 2022).

²²⁷ “*Position Paper on Emerging Markets and Human Rights, Henderson Global Investors*” Available on http://www.ampcapital.com.au/PDF/adviser/sri/papers/Emerging_Markets.pdf (Last accessed March 18, 2022).

Businesses conform to laws and regulations about concerns, including the environment, working conditions, and human rights, in response to growing pressure from customers and non-governmental groups. Companies are taking these steps to enhance their public profiles and protect themselves from adverse customer feedback. While voluntary codes of conduct may help spread international norms, their success relies on being checked and implemented correctly. Additionally, they have the power to persuade governments to take steps to reduce human rights abuses. Caux Round table principle is that corporations should uphold and advance democratic institutions and human rights whenever and wherever practicable.

Conclusion:

In light of the existing state of CSR law in Pakistan, a legal analysis of CSR may come across as more of social science. CSR is still in its infancy in Pakistan for several reasons, including that its roots lie more in social concerns than in the realm of law (because of its non-binding character). Due to the government's lack of involvement, CSR is frequently confused with corporate giving. From our discussions, we can deduce that CSR in Pakistan is still in its early stages but on the rise. It's possible, nevertheless, that the government and NGOs may play a significant role in hastening development. Many issues in Pakistan that have gone ignored for extended periods may be resolved if CSR is properly applied there. Lack of CSR legislation throughout the country. None of the departments actively supported or forced firms to comply with CSR. However, several are striving to specify how it should be applied. They don't feel like so much of a destination as they do a checkbox to be checked.

The Supreme Court case we discussed above made it clear that not even the most important divisions within the Petroleum Ministry were making an effort to make sure that companies were living up to the CSR requirements included in their licenses and contracts. It is a reality of corporate America, and the government should take notice.

There are three broad types of legal recourse to consider: those accessible to the general public, workers, and government agencies. In the CSR case before the Supreme Court of Pakistan, we observed that Article 184 (3) of the Constitution allows citizens to file petitions seeking investigations into and punishments from businesses for misconduct, as well as recover damages. Furthermore, employees at these enterprises may take legal action against their employers for violating national labor laws. The competent government agency may revoke a company's license to operate in the country if it fails to follow the standards stipulated in its contracts. The failure of MNEs to carry out their CSR activities and other contractual obligations may result in legal action being launched against the companies.

CHAPTER NO IV.

CSR Practices in Pakistan: Factors That Influence or Create Obstacles

4.1 Introduction

In the year 2021, the concept of corporate social responsibility is still vague. Corporate social responsibility, or CSR, is a concept that encourages organizations to consider and address more significant social and environmental concerns. Businesses in the private sector are pouring resources into corporate social responsibility (CSR) because consumers put a premium on it. Corporate social responsibility efforts in Pakistan are essential to the nation's much-needed economic and social transformation. An essential part of the solution to the problems in Pakistan will come from the private sector. It is the main cause of Pakistan's current boom in CSR initiatives.²²⁸

The 21st century is a very competitive era, and as a result, corporations are paying greater attention to CSR initiatives across the board. They have high self-awareness and concern for human rights, ethics, and social responsibility issues. Companies are under intense pressure from both the general public and government regulators. The study's authors also discovered that companies' bottom lines benefited from their efforts to improve society. Nonetheless, corporations engage in social duties for various reasons, not the least of which is financial gain. These benefits include increased brand loyalty, reduced exposure to the risk brought on by rival businesses,

²²⁸ "CSR Activities in Pakistan" available on <<https://www.transparenthands.org/csr-activities-in-pakistan>>(Last accessed February 10, 2020).

an organizational culture that fosters the belief that it is acting ethically, and the adoption of measures to implement issues related to labor standards and health and safety policies. Firms are employing CSR strategies to get an edge in the talent battle.²²⁹ A company's triple bottom line benefits from a CSR program—people, profits, and the planet. The dramatic rise in socially responsible businesses may be attributed to several factors. Customers are discerning adults with deep convictions about the world's state, and they prefer brands that reflect those values. Second, the benefits of globalization to businesses are complicated by the various conflicts arising from the wide variety of standards, tariffs, administration policies, moral issues, labor exploitation, and ecological restrictions across the world. These are both costly issues from the perspective of corporations. As a result, businesses use these ethical practices. Many companies use corporate social responsibility (CSR) strategies; these include tactical methods for expanding a company's presence in a community and expanding its reach on a global scale. Corporations can also aid in maintaining a positive corporate culture by supporting CSR strategies.²³⁰

Slowly but surely, CSR initiatives from multinationals and individual companies are spreading throughout Pakistan.²³¹ Many businesses provide money to charities and

²²⁹Bhattacharya, C.B., Sen, S., & Korschun, D. "Using corporate social responsibility to win the war for talent" *MIT Sloan Management Review*. 49(2), 37-44.(2008).

²³⁰Fry, L.W., Keim, G.D., & Meiners, R.E. "Corporate contributions: Altruistic or for profit?" *Academy of Management Journal*, 25, 94-106. (1982).

²³¹Khan, F.S., and U. Noumani (2002) "Corporate Social responsibility and Natural Disaster Reduction in Pakistan" Sustainable Development Policy Institute, Cessed(23 March 2006).

other organizations, which they say is part of their corporate social responsibility²³². To better understand the charitable efforts of businesses, the PCP conducted research and published a report covering 568 different companies (Pakistan Centre for Philanthropy). This research indicated that 64% of the PLCs' reports incorporated many social development projects, based on in-person interviews and a review of annual reports. Tax breaks, better public relations, and publicity are all benefits that may be seen even if corporations "give mostly for faith-based reasons and humanitarian ones."²³³ However, "only in-kind gifts and cash" were considered in the study's explanation of corporate philanthropy. While some studies have been done on CSR in Pakistan, no one has yet pinpointed exactly where the field stands in the country. Nobody has given a precise percentage for CSR in Pakistan, such as 20% or 80%.²³⁴

Based on the massive influx of foreign investment, this research will assess how well CSR principles are implemented in Pakistan. There are two major aspects of the CSR situation in Pakistan and the legal framework of CSR that need attention: Extensive study of this topic is required since 1) there seems to be no legal framework for CSR at the public, corporate, or government levels; and 2) the enormous amount of foreign investment in Pakistan is disproportionate to the country's budget. Moreover, among

²³²Lund Thomson, P. Towards a Critical Framework on Corporate Social and Environmental Responsibility in the south" The Case of Pakistan', *Development* 47-3: 106-13. (2004)

²³³"PCP (Pakistan Center for Philanthropy) (2005) *Corporate Philanthropy in Pakistan*" The Case Of Public Listed Companies (Islamabad, Pakistan: PCP).

²³⁴"*CSR development and achievements in Pakistan*" available on <<https://www.pakistangulfeconomist.com/2018/01/15/>>(Last accessed July 18, 2022)

foreign businesses operating in Pakistan, we will be paying particular attention to Chinese corporations for two reasons: 1) China's investment in Pakistan is not a temporary one and is expected to continue for at least the next generation, thanks to recently concluded agreements and Relationship between China and Pakistan has endured for decades; and 2) the massive scale of Chinese investment in Pakistan will demand dedicated attention.

4.2 Insights on the Growth of Corporate Social Responsibility in Pakistan

The bulk of Pakistan's history, religious teachings, and traditional cultural values have inspired corporate social responsibility (CSR) in the form of philanthropy and voluntary giving. It is a social norm in Pakistan for every individual to give a percentage of their earnings to charity. Companies and organizations doing business in Pakistan overwhelmingly support academic and medical programs with time and money. In 1981, the Agha Khan Development Network performed a study that found the total amount of charitable contributions made by people in Pakistan to be \$1.5 billion. More than ninety percent of corporate entities were discovered to be participating in philanthropy via nonprofit organizations (NPOs) and trusts/foundations that they hold. However, while CSR evolves globally, is it also taking shape in Pakistan? Companies recognize the strategic value of SCR and embed it into their business model as a genuine endeavor rather than as a freebie. It moves slower than in the industrialized world, but it's not entirely nonexistent. There are other academic pursuits, such as the yearly report on the condition of CSR in Pakistan. Pakistan's Securities and Exchange Commission has issued guidelines for CSR reporting. Regulations are reviewed often, and reports on corporate social responsibility (CSR) in Pakistan are made public. Pakistan's corporate social

responsibility (CSR) field has significantly benefited from these intellectual initiatives, including academic writing and research.²³⁵

The investment and business volume of multinational corporations (MNCs) is enormous compared to local businesses. CSR policies are often more prominent and simplified in multinational corporations compared to smaller businesses. Therefore, it is unsurprising that multinational enterprises account for Pakistan's largest proportion of CSR. Despite this, CSR in Pakistan remains in its infancy and has a long way to go.²³⁶

While different firms have implemented different strategies to comprehend and execute CSR, there are many similarities across the various CSR action plans. While it is often believed that CSR has not yet grown effectively in Pakistan, certain firms have taken the initiative to embrace CSR practices, and their efforts should be commended.²³⁷ CSR in Pakistan was severely impacted after 9/11 when a significant portion of foreign investment was banned due to terrorist risks. Foreign investment in Pakistan has decreased over the last decade, but massive Chinese investment has made up for this shortfall. China's investment in Pakistan's economy in the most recent fiscal year was almost twice as significant as that of all other nations combined. Next, we'll look at the CSR initiatives of several well-known Pakistani companies,

²³⁵“*Evaluation of state of CSR: In Pakistan a strategy for implementation*” available on <http://www.secp.gov.pk/Reports/CSR_Study_FinalReport_November.pdf>(last accessed July 18, 2022).

²³⁶“*Corporate social Responsibility(CSR)Pakistan News and events*” available on <<http://www.csrpakistan.pk/news&events.html>>(Last accessed July 18,2022).

²³⁷Cochran, P. L. (2007). “The evolution of corporate social responsibility” *Business horizons*, 50(6), 449-454.<https://doi.org/10.1016/j.bushor.2007.06.004>.

including Zong Telecom, Huawei Pakistan, Pakistan State Oil, Unilever Pakistan, etc.²³⁸

4.3 CSR policies and practices

Results from this study show that there are many valid points of debate when it comes to CSR in Pakistan. Companies are aware of CSR, but the most prevalent kind of CSR they engage in is charitable, which they often water down. It exemplifies the critical importance of corporate social responsibility (CSR) via charitable giving in Pakistan. It is proposed that corporate social responsibility initiatives focused on philanthropic contributions should take precedence. Then, businesses focus on one kind of CSR while disregarding others.²³⁹ The desire to become more charitable stems from a desire to contribute to and improve society. The research shows that all firms care about their local communities and employees' well-being. The idea is intriguing because it implies that multinational corporations (MNCs) and domestic organizations (NGOs) share a commitment to social responsibility. Multinational corporations (MNCs) must balance financial obligations with ethical and social duties and legal obligations. It demonstrates that they understand their societal role outlined by the CSR pyramid. Using the CSR pyramid as a guide, these companies meet all four social responsibility

²³⁸ "CSR Activities in Pakistan" available on <<https://www.transparenthands.org/csr-activities-in-pakistan>>(Last accessed February 10, 2020).

²³⁹. "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders, *Business Horizons*" available on <<https://www.researchgate.net/publication/4883660> The Pyramid of Corporate Social Responsibility Toward the Moral Management of Organizational Stakeholders>(Last accessed July 18, 2022).

criteria. However, they work toward these goals via philanthropic giving and community organizing.

Barclays' Flagship initiative and its collaborations with other NGOs and financial institutions are two good examples of such efforts toward social development. Shell and Pakistan's Higher Education Commission (HEC) launched a scholarship and community improvement initiative together. The social welfare program of Tetra Pak is quite similar, with a concentration on advancing women's rights via various means (awareness campaigns, partnerships with educational institutions to give technical and vocational training, etc.).²⁴⁰

Empirical research shows that providing health care facilities, top-notch education, and educational grants via the Fauji Foundation are just a few examples of the corporate social responsibility (CSR) initiatives that all domestic companies engage in. Other domestic firms like Hinopak Motors and PTC provide similar corporate social responsibility (CSR) programs, including education partnerships, learning resource centers, health care units, etc. These efforts are critical because they foster community development and social well-being. The findings indicate that they lack a strategic approach to CSR over the long run. There is no controversy on how to define corporate social responsibility, Dahlsrud says; the significant thing is to incorporate the CSR notion as an element of ethical business in the plan.²⁴¹

²⁴⁰“Tetra Pak, News release tetra Pak to invest €90 Million in Pakistan” available on <http://www.tetrapak.com/about_tetra_pak/press_room/news/Pages/Investment_PakistanBrazil.aspx>(Last accessed July 18, 2022).

²⁴¹Dahlsrud, A. (2008). “How corporate social responsibility is defined: An analysis of 37 Definitions” *Corporate Social Responsibility and Environmental Management* 15(1):1–13.

Charitable giving, educational partnerships, and other corporate community involvement are readily apparent upon closer inspection of these initiatives. We value and appreciate all of these programs.

However, most of these initiatives are not supported by the corporations' overarching business plans. All businesses now place a premium on some corporate social responsibility, and philanthropy appears to be at the center of this trend. However, "businesses need to think about the fact that charitable giving is not the genuine CSR."²⁴² Some businesses go above and beyond what is required of them regarding corporate social responsibility. The company's basic principles (vision and purpose) should represent social responsibilities. Corporations put their fundamental beliefs first while engaging in CSR activities and considering the country's cultural norms and customs. The importance of generosity and community building is stressed throughout this analysis. Pakistan is a middle-income nation that could use greater assistance in improving its infrastructure, reducing poverty, and addressing other social and economic issues, encouraging businesses to take a more charitable approach. The government cannot do enough in this area. As a result, major corporations shoulder a greater portion of the burden by funding various community development projects to improve the living conditions of the underprivileged.²⁴³

²⁴²Dima, J., Ramez, M., (2007). "Corporate Social Responsibility: Theory and Practice in Developing countries context" *Journal of Business Ethics*. (72):243–262. DOI 10.1007/s10551-006-9168-4

²⁴³Aisha (2002). "Non-profit sector in Pakistan: Government policy and future issues" *The Pakistan Development Review*. 41(4) 879-908.

4.4 Corporate social responsibility (CSR) policies

Companies with a CSR policy were more likely to write one down (63.4%), whereas those without a policy were more likely to have an unwritten one (33.6%). Companies (often huge, multi-national corporations) with formal policies have articulated a long-term vision for how they want to contribute to society. The term "unwritten policies" describes the practices of businesses that annually provide resources (financial and otherwise) for the betterment or growth of their communities. Often, the principles of the CEO or a family member serve as the inspiration for such rules rather than corporate social responsibility considerations. Unwritten policies may also refer to year-specific informal guidelines for the company's charitable contributions or a policy of "support on demand," wherein individuals, non-governmental organizations, employees, and community members receive corporate aid only when they specifically request it. These two categories of regulations provide a complete picture of CSR policy in Pakistan.²⁴⁴

²⁴⁴M Nadeem Malik, "CSR and Development in Pakistan" (University of Melbourne publisher, 2015), 79-81

4.4.1 Table Percentage of companies with a CSR policy

Policy?	No.	Percentage
Yes	41	27.2
No	110	72.8
Total	151	100

4.4.2 Table Percentage of companies with written and unwritten CSR policies

If 'Yes' No. Percentage

Written 26 63.4

Unwritten 15 36.6

Total 41 100

4.4.3 Table Reasons for companies having no CSR policy

Response Percentage

Lack of awareness 20.40

Lack of interest 32.30

Lack of resources 21.10

Nobody had approached them and therefore never thought of it 10.40

New company	15.80
Total	100

4.5 Reasons for companies not having a written or unwritten policy

As shown in Table 7.3, 20.4 per cent of companies identified lack of awareness regarding social contributions as the main factor for their not having a CSR policy. The percentage that identified lack of interest as the reason for not having a written or unwritten CSR policy was the highest; 32.2 per cent of companies upheld this view. Lack of resources was considered to be the main factor for not having a policy by 21.1 per cent of organizations, and 10.4 per cent of companies informed us that it was because no one (e.g. neither trusts nor NGOs) had ever approached them for systematic or organized support and therefore they did not think of having such a policy. About 15.8 per cent of companies suggested that new companies usually do not have a corporate social policy. Based on the semi-structured interviews, further analysis of the reasons for companies lacking a CSR policy is in order.²⁴⁵

4.5.1 Lack of awareness

Companies do not have a good idea of CSR in Pakistan. In a general way, CEOs or their families do a considerable amount of philanthropic/charitable work on an individual basis; In contrast to those in more industrialized nations, companies in Pakistan do not seem to recognize the significance of CSR to national progress and

²⁴⁵“How to Create A CSR Policy: A Simple Guide For Business Owners” available on <<https://microstartups.org/csr-policy-guide/>> (Last accessed July 18, 2020).

economic expansion. The concept of corporate social responsibility (CSR) does not seem to have taken root in Pakistan. It is mainly individuals such as CEOs who determine companies' decisions about social investment. For obvious reasons, therefore, there is a lack of organized systems for corporate investment aimed at development. As a CEO remarked in this context:

Western societies have evolved very definite systems for social investment. They plan and channel their resources in a very systematic way and that is why they get better results. This surely is possible through written CSR policies and we need to create such awareness in Pakistan. Institutions such as Chambers of Commerce in Pakistan need to design programs for the awareness of companies about the causes of development problems in the society and the need to work for sustainable development, instead of one-time philanthropic giving. Also, they need to be made aware of the benefits they can get through an organized CSR activity guided by a written CSR policy. Some other views by CEOs are also instructive: One reason is that people do not have resources and the other is that people have no awareness about the benefits they will get from their organized development work. Generally, there is a lack of awareness. People are not aware of the benefits of formulating written CSR policies for companies as well as their stakeholders. Pakistan is an under-developed country and people having considerable resources and spending a lot of money for the general welfare of communities are not aware of the importance and benefits of having a definite corporate social policy. Some CEOs were of the view that civil society organizations in advanced industrial societies have played an important role in creating awareness in society and in the corporate sector. Such a role by civil society organizations in Pakistan has yet to be seen. The following views of

CEOs in this connection are instructive: In the West, civil society organizations have played an important role in creating awareness of CSR and creating an environment of accountability for corporations. In Pakistan, civil society has yet to play this role and make corporations aware of organized development activities by having written CSR policies. These organizations have neither created awareness, nor have created the environment of accountability making companies realize the importance of CSR.²⁴⁶

People are not aware. Since corporate organizations are so busy doing their business operations, having some definite development policy has yet to be on their radar. NGOs need to create such awareness. Lack of awareness is the basic cause for not having definite policies for the welfare of society. The main reason is that no one has ever approached companies and has not made them realize about the importance of having written policies for development. Many companies do not even know what written development policy means and what its importance is for the betterment of society. Once they are informed about this, they would surely like to have one. We must have some sort of NGOs or NGO networks that could create awareness on this issue. Social welfare organizations/NGOs have not created such an environment in which companies could get awareness about the importance of having definite corporate social policy. If such an environment is created, many companies will consider having such a policy.²⁴⁷

²⁴⁶“*Lack of CSR practices in Pakistan*” available on < C:\Users\window\Desktop\Lack of CSR practices in Pakistan - Newspaper - DAWN_COM.mht>(Last accessed JULY, 20 2022).

²⁴⁷“*Possible role of NGOs to bring positive change in Pakistan discussed*” available on <<https://www.thenews.com.pk/print/620859-possible-role-of-ngos-to-bring-positive-change-in-pakistan-discussed>> (Last accessed February 28, 2020).

4.6 Perceptions of CSR in Pakistan

For reasons described above, perceptions of CSR within the local corporate sector do not go beyond philanthropic/charitable work. 38 per cent of organizations define CSR as 'employees' welfare', 48.4 percent as 'welfare of the community and 13.6 per cent as paying taxes²⁴⁸

4.6.1 Employees' welfare

When asked about their company's definition of corporate social responsibility, 38 per cent of companies defined CSR as something pertaining to employees' welfare. Employees' welfare included: good salaries/benefits, good working environment, opportunities to grow, self-respect, social security and sharing employees' problems whether monetary or non-monetary in times of need. Many companies gave examples of how they have helped their employees in the past. The following views of CEOs and other senior officials are instructive for understanding the perceptions companies have of CSR.

By law we do not have any obligation but being a company sensitive to its social responsibility, we always try to build a better environment within the company through employees' welfare. We believe charity begins from home and we consider our employees as part of the family. If family members or close relatives need assistance in difficult times, we feel it is our religious obligation to fulfill such needs. The foremost social responsibility we have is to fulfill the social and economic needs of our employees. We initiate a number of projects to support a number of employees

²⁴⁸“*Perceptions and practices of corporate social responsibility among SMEs in Pakistan*” available on <<https://www.researchgate.net/publication/284131550> Perceptions and practices of corporate social responsibility among SMEs in Pakistan> (Last accessed MAY 12, 2022).

who are economically poor. Moreover, we initiate a number of programs for those who work for us on a project to-project basis. When the project finishes their contracts are also concluded. The welfare of such employees is a top priority for us. If God has given us wealth, it is our foremost responsibility to fulfill the needs of people close to us. It is our social responsibility to fulfill the needs of our employees. If our employees are not able to fulfill their needs such as educational needs of their children, girls' marriages, health requirements, we design programs to assist them with fulfilling such needs. In addition, if after fulfilling employees' needs we are left with some surplus resources, only then we think of contributing something towards the general welfare of the society. We consider our employees as part of our biradari (extended family) Employees' welfare, community development and paying taxes, all are important aspects of social responsibility and it becomes difficult at times to make priority while giving resources. However, we give first priority to the people close to us, i.e. our employees. Our company's policy is to support our employees in difficult times. Although we pay medical allowances to our employees but even then if someone has to bear a medical expense beyond his reach or someone's wife or children need some medical treatment that he cannot afford then we pay all the bills for that person. Apart from medical treatment, we support our employees if they have a genuine need that they cannot afford to fulfill. Employee's welfare is our top priority as they feed so many families and their welfare means the welfare of so many people. Islam emphasizes caring about those close to you. Employees' welfare is important. We have a policy of social security for our employees, which is compulsory. Moreover, we provide employees old age benefits. If someone gets ill, no matter how much the medical cost incurred for his/her recovery, it is the

responsibility of the social security department to pay the bills. It is an acknowledged fact all over the world that unless you have a skilled and satisfied workforce, you cannot bring success to your business. Therefore, it is our foremost priority to do whatever is required to make our employees satisfied at all levels. We do not allow child labour. We have skilled labour whom we provide residence in which all utilities are free. Moreover, we take care of them regarding health and all other needs. This is our gift to God.²⁴⁹

4.6.2 Community welfare

The second category after employees' welfare was the welfare of communities (in nearby areas or anywhere in the country): 48.4 per cent of companies defined CSR as community development. Their concept of community development ranged from providing monetary and non-monetary support on a one-time as well as an annual basis to initiatives such as: service delivery (health, education, sanitation and helping the disabled), human rights, women's rights, children's rights, etc.²⁵⁰

4.6.3 Paying taxes

Another important aspect defined as CSR was paying taxes. In the view of some companies, paying taxes was the most important characteristic of good citizenship and a socially responsible corporate organization: 13.8 per cent of organizations upheld this view. They opined that every can survive unless its employees are satisfied with

²⁴⁹ "Workers' Perceptions of CSR Practices: Analysis of a Textile Organization in Pakistan" available on <https://www.researchgate.net/publication/352057165_Workers'_Perceptions_of_CSR_Practices_Analysis_of_a_Textile_Organization_in_Pakistan> (Last accessed June 15, 2021).

²⁵⁰ "The Perception of Corporate Social Responsibility in Muslim Society: A Survey in Pakistan and Sudan" available on <<https://www.mdpi.com/2071-1050/11/22/6297/html>> (Last accessed JULY 18, 2021).

their jobs. Then in the end if a company has company should fulfill such an obligation. The following are the opinions of CEOs who ranked tax compliance as their top CSR priority. We give donations to various institutions from time to time and participate in social development activities, but our first priority is to pay taxes. So that the government can use them for people's welfare. I think it is very essential that each business pay taxes in the first place. Those who do not pay taxes are not fulfilling their social responsibility. The top priority regarding corporate social responsibility therefore is to pay taxes. Without paying taxes, there cannot be any progress on a larger scale in the country as these taxes are spent on people's welfare. The government will not be able to provide any services unless we pay taxes. The second priority after paying taxes is employee's welfare, as no management enough resources it should invest in community development in the neighborhood and later at any place throughout the country. It is obvious that paying taxes is everyone's foremost responsibility and we have a clear-cut policy towards paying all taxes levied on us. We believe that if our country is giving us so much we must give back what we owe to the country. We should pay taxes as the government is poor and those who have resources are very rich. Giving taxes is the top social responsibility as taxes are the only source of the government' income. Without taxes, no government can run its business.²⁵¹

²⁵¹ "CSR in Pakistan A critique of the literature and future research agenda" available on <https://www.researchgate.net/publication/316502359_Corporate_Social_Responsibility_CSR_in_Pakistan_A_Critique_of_the_Literature_and_Future_Research_Agenda> (Last accessed July 18, 2022).

4.7 Challenges of CSR Implementation in Pakistan

Applying CSR is a multi-step procedure. The initiative's success depends on its incorporation into every facet of the business. We were interested in the topic and the study on how firms deal with the difficulties because of the discussion of whether or not multinational corporations have a choice regarding Corporate Social Responsibility (CSR). Modern businesses must include CSR in their operations.²⁵²

When you think there is no corporate social responsibility in Pakistan, you see examples of it cropping up everywhere. Moreover, when you accept its ubiquity, you see it in its nascent stages, which is the case in Pakistan. There was an initial assumption that CSR-related legal frameworks did not exist in Pakistan. However, research conducted for this article revealed that CSR laws exist in Pakistan in diverse forms, including labor regulations, environmental legislation, voluntary recommendations, and required contractual requirements. Nonetheless, we discover that much has to be done in this area in Pakistan, where CSR is often seen as just corporate charity. However, a piece of Indian law that took effect in 2013 deserves to be highlighted here. If your company's annual turnover is more than 10 billion rupees (about 131 million dollars), for corporate social responsibility purposes and following the Companies Act, 2013 of India, you must set aside 2% of your annual profits. By doing so, India changed the course of human history by demanding that all countries devote a share of their riches to humanitarian endeavors.²⁵³

²⁵²“*The CSR Implementation process*” available on <http://www.divaportal.org/smash/get/diva2:231292/FULLTEXT01.pdf> (Last accessed July 3, 2022).

²⁵³“*Companies Act, 2013 - MCA*” available on <https://www.mca.gov.in/.../companies-act-2013.html> (Last accessed July 20, 2022).

However, there is no equivalent legislation in Pakistan, and there probably will not be for at least the next two decades. However, the lack of such legislation does not pose a significant barrier to the diligent pursuit and effective implementation of CSR principles. Reasons for Pakistan's low rate of CSR activities include companies' lack of sincerity, the government's failure to enforce CSR policies, and the public's failure to grasp the concept. Unfortunately, only a minority of companies have a firm grasp of CSR's nuances. Typically, SMEs do not have a dedicated CSR department and seldom engage in corporate social responsibility (CSR) initiatives. However, corporate social responsibility practices have been demonstrated to be more stable at multinational and large-scale local firms. Many such organizations do have dedicated divisions charged with carrying out such procedures. They advertise their corporate social responsibility initiatives in regional newspapers and online; some even produce annual reports. Moreover, we found that most people do not have any prior exposure to this concept. Companies realize that consumers do not care about corporate social responsibility (CSR). Thus, they do not bother with it. If people are unaware of their human, citizen, and consumer rights, they will not be outraged when those rights are violated, nor will the media.²⁵⁴

²⁵⁴“The CSR Implementation process” available on <<https://researchportal.hkr.se/en/studentTheses/the-csr-implementation-process>>(Last accessed July 20, 2022).

4.7.1 The Problem with CSR Activities Is That They Don't Get Enough Community Involvement:

Corporate social responsibility (CSR) initiatives have failed to garner much support from the local populace, and citizens have shown little interest in becoming involved. Since no substantial efforts have been made to raise locals' understanding of CSR and instill trust in such projects, some blame lies with the general public's ignorance of the concept. The disconnect between the company and its clients is making the situation worse.²⁵⁵

4.7.2 Need to Build Local Capacities:

Companies need to invest in capacity development for local NGOs since there is a severe lack of well-trained and efficient NGOs able to contribute to continuing CSR initiatives. It severely hinders the expansion of CSR endeavors, reducing their overall impact.²⁵⁶

4.7.3 Issues of Transparency:

A major problem highlighted by the poll is a lack of openness. Businesses have complained about local implementing agencies' lack of openness in areas such as program details, audit findings, impact evaluations, and the use of donor cash. The success of any local CSR effort relies on a high degree of trust between corporations and local communities, hampered by the stated lack of openness.²⁵⁷

²⁵⁵ "CSR : ISSUES AND CHALLENGES IN INDIA" available on https://ijariie.com/AdminUploadPdf/CSR_ISSUES_AND_CHALLENGES_IN_INDIA_ijariie6294.pdf

(Last accessed July 19, 2022).

²⁵⁶ "Ibid"

²⁵⁷ "CSR : ISSUES AND CHALLENGES IN INDIA" available on https://ijariie.com/AdminUploadPdf/CSR_ISSUES_AND_CHALLENGES_IN_INDIA_ijariie6294.pdf

4.7.4 Problem: There aren't any reputable NGOs around:

It's also been pointed out that few non-governmental organizations (NGOs) with the organizational framework to assess the real needs of communities and work in partnership with enterprises to effect constructive change are in rural and outlying areas. With this in mind, it's easier to justify funding community development projects at the grassroots level.²⁵⁸

4.7.5 Visibility Factor:

It is great that the media is playing a part in raising awareness about corporations' CSR efforts by focusing on noteworthy examples of well-executed programs. Due to the apparent importance of acquiring awareness and branding exercises, many NGOs engage in event-based initiatives, missing out on genuine grassroots interventions.²⁵⁹

4.7.6 Narrow Perception towards CSR Initiatives:

The perspectives of both non-governmental groups and government institutions tend to be limited. Companies' corporate social responsibility (CSR) programs are generally more donor-driven than locally-focused. Therefore, Immediately, In the Mid-Term, and Forever, people struggle to decide whether they should consider participating in such activities.²⁶⁰

(Last accessed July 19, 2022).

²⁵⁸ "Role of NGOs in the Social Development of Pakistan: A Case Study of USAID" available on <http://pu.edu.pk/images/journal/studies/PDF-FILES/13_v21_2_20.pdf> (Last accessed 20 February 20, 2021).

²⁵⁹ "What is the role of social media in communicating CSR and Sustainability" available on <<https://sustainabilityknowledgegroup.com/what-is-the-role-of-social-media-in-communicating-csr-and-sustainability/>> (Last accessed July 16, 2021).

²⁶⁰ "Role of NGOs in the Social Development of Pakistan: A Case Study of USAID" <http://pu.edu.pk/images/journal/studies/PDF-FILES/13_v21_2_20.pdf> (Last accessed 20 February 20, 2021).

4.7.7 Problems with the Lack of Transparent CSR Guidelines:

There are no unambiguous legal mandates or policy instructions that may lead to the CSR efforts of businesses. Research suggests that companies' CSR efforts should be tailored to their specific size and character. A company's corporate social responsibility (CSR) efforts tend to grow in proportion to its size.²⁶¹

4.7.8. Difficulties in Addressing CSR Concerns Due to Lack of Agreement:

There is little agreement on which CSR initiatives should be prioritized in the local government sector. Due to a general lack of agreement on how to best address a given problem, corporations are very uncommon to repeat their efforts in the same field. Consequently, instead of fostering collaborative responses to difficulties, local implementing agencies have a sense of competition. Because of this, businesses are hampered in their efforts to conduct impact assessments of their activities periodically.²⁶²

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

²⁶¹“Corporate Social Responsibility Guiding for your business” available on<<https://brandaffairs.ch/en/corporate-social-responsibility-csr-guidelines-business/?nowprocket=1>> (Last accessed July, 18 2022).

²⁶²“CSR : ISSUES AND CHALLENGES IN INDIA” available on<https://ijariie.com/AdminUploadPdf/CSR_ISSUES_AND_CHALLENGES_IN_INDIA_ijariie6294.pdf>(Last accessed July 19, 2022).

4.7.9.1 Economic barriers:

The absence of a correlation between CSR and the financial performance of firms is the biggest challenge to its widespread adoption on a national and worldwide scale. Businesses often struggle with determining how much money to allocate to CSR initiatives. How can we strike a healthy balance between maximizing profits and doing our part to improve society? It is the biggest obstacle for businesses and governments alike. The primary goal of the company is to increase earnings while minimizing expenditures. The private sector is not always willing to put the interests of society and the environment ahead of its bottom line.²⁶³

Example of Pakistan

Putting CSR into practice is not a major challenge in nations like Sweden, which is highly organized, developed, and economically stable. However, this is very challenging in the case of Pakistan due to the country's unstable administration and dissatisfied business community.²⁶⁴

4.7.9.2 Cultural barriers:

The cultures of many nations throughout the globe are distinctive from one another. Corporate social responsibility relies heavily on preexisting cultural norms and values. Like nations, corporations have unique cultural values that motivate them to act responsibly toward society and the environment. Companies and governments may benefit from cultural perspectives because they provide norms for thinking, perceiving, and acting. Companies and nations must address the problem of cultural

²⁶³ 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

²⁶⁴ "Ibid."

barriers in order to execute corporate social responsibility successfully. Occasionally, government regulations make it difficult for businesses to advance social justice and environmental sustainability.²⁶⁵

4.8 Lack of human resources

Many smaller businesses worry that they do not have the personnel to devote to CSR activities. As an added downside, many management techniques utilized by SMEs are ineffective, wasteful, and low-yield in terms of output. The best way for a company to create effective CSR policies and practices is to hire and educate employees who can serve as project managers, idea generators, and project leaders for CSR endeavors.²⁶⁶

4.9 Competing codes of conduct and multiple requirements

A key problem for many company owners and managers is tied to conflicting norms of behavior from various clients. This kind of duplication is both costly and infuriating for the vendors. Your company may assist in preventing this by facilitating the establishment of universally accepted norms among your clientele.²⁶⁷

²⁶⁵ 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

²⁶⁶ “*Obstacles to Corporate Social Responsibility*” available on <<https://www.gaebler.com/Obstacles-to-Corporate-Social-Responsibility.htm>> (Last accessed July, 20 2022).

²⁶⁷ “*From CSR codes of conduct to binding rules on corporate behavior*” available on <<https://www.business-humanrights.org/en/latest-news/from-csr-codes-of-conduct-to-binding-rules-on-corporate-behavior/>> (Last accessed July 21, 2022).

4.10 Costs

Small and medium-sized businesses (SMBs) are continually up against the problem of tighter budgets due to the growing prices of materials, energy, and labor. Most organizations simply cannot afford to devote significant resources to CSR activities. However, CSR efforts may be made at any echelon of an organization. Even if your company has a small budget, setting aside money for corporate social responsibility (CSR) may help you save money where it counts the most. You may still engage in CSR activities with a little budget if you choose wisely among low-cost projects.²⁶⁸

4.11 Over-emphasis on inspections and cheating

Many small and medium-sized enterprises (SMEs) fail to abide by ethical standards. Many heads of SMEs wrongly believe that ethical and lawful business practices are incompatible with making a profit. Cutting shortcuts is not necessary for the survival of your company. You should consult with relevant parties to balance the maximization of revenues and strict adherence to CSR guidelines.²⁶⁹

4.12 Assessment Methods for Corporate Social Responsibility: Opportunities and Threats

²⁶⁸ “*Corporate Social Responsibility: Benefits and Costs of Its Implementation*” available on <https://www.researchgate.net/publication/339489984_Corporate_Social_Responsibility_Benefits_and_Costs_of_Its_Implementation>(LAST accessed Feburary,20 2020).

²⁶⁹“*Obstacles to Corporate Social Responsibility*” available on <<https://www.gaebler.com/Obstacles-to-Corporate-Social-Responsibility.htm>>(Last accessed July,20 2022).

The proliferation of suggested CSR evaluation approaches indicates the growing interest in this area. There is no perfect method for evaluating CSR initiatives. Any assessment system has too many facets of CSR to capture them all.²⁷⁰

There is a significant discrepancy in the approaches used to compare businesses against CSR benchmarks. "Assessing corporate social responsibility is a relatively new concept in the business world; thus, there have been few noteworthy innovations in this area." Different stakeholders generally agree on the evaluation methods used. Therefore, firms may use CSR to communicate with their stakeholders or as a marketing strategy to enhance their reputation. Following this, an effort is made to classify the most pressing problems with current CSR evaluation techniques, illustrating these problems with relevant cases.²⁷¹

4.12.1 Lack of transparency

Many crucial components of the evaluation agencies' methods remain secret. They give broad guidelines rather than specific details on the factors used to determine a company's CSR rating. The agencies do not elaborate on the CSR scoring process's use of internal and external sources of information beyond the questionnaire. The

²⁷⁰Wolfe, R. and Aupperle, K. (1991), "Introduction to Corporate Social Performance: Methods for Evaluating an Elusive Construct", in J. E. Post (ed.), *Research in Corporate Social Performance and Policy*, Vol. 12 . 265-268.

²⁷¹L'Etang, J. (1996), "Corporate responsibility and public relations ethics, *Critical Perspectives in Public Relations*" pp 82-105.

unpublished details of the techniques may be a valuable resource for the organizations that develop and use them.²⁷²

4.12.2 Proposed general criteria

There are two distinct tendencies in the worldwide literature regarding the kind of CSR evaluation criteria. The first criterion is generic, whereas the second includes general and specialized criteria.

The first specifies broad criteria relevant to all sorts of businesses or industries. Incorporating merely these sorts of criteria does not account for particular activities that integrate the company into its operations since unique problems and tendencies differentiate each industry.

The Secchi model gives significance to general and particular criteria to categorize CSR commitment, which is the second trend. The sector dimension is one of the three parts of the proposed model, whereas Morimoto et al. (2004) claim that it is challenging to incorporate criteria relevant to all sectors within a CSR framework.²⁷³

4.12.3 Risks of Non-Compliance:

Businesses pay a steep price for neglecting to recognize their social responsibilities to society. Several instances have upset corporate sectors in the last two decades and compelled them to alter their approach to social activities. The reputation and

²⁷²“*The Challenges of Corporate Social Responsibility Assessment Methodologies*” available on<https://www.ersj.eu/repec/ers/pijeba/16_1_p3.pdf> (Last accessed July 21, 2022).

²⁷³“*Corporate Social Responsibility in Europe: Analyzing Business in Transnational Contexts*” available on<<http://eco.uninsubria.it>> (Last accessed July 21, 2022).

success of a corporation rely on its relationships with all of these stakeholders. Relationship development is essential to the success of any firm, and this is only achievable if all business activities are accepted. Multiple business scandals have been revealed by pressure groups such as NGOs, the media, the internet, etc.²⁷⁴

Compliance difficulties will continue to intensify. While compliance increases productivity and protects against severe fines, most businesses perceive it as an expense rather than an investment. As a result, firms tend to underinvest in compliance-related areas, including software, data, and services, and employ skeleton crews in compliance departments. The late Henry Ford once observed about investing in equipment.

If you need a machine but put off purchasing it, you will eventually find yourself out of the money but without the equipment.

It has been noted, "If you do not participate in proactive compliance efforts, the business will end up paying for compliance, but through reputational difficulties and product delays."²⁷⁵

4.12.4 Penalties and Fines

Some potential consequences are monetary fines, activity limits, additional approval hurdles, and jail time. A government investigation will consume substantial time and may incur legal and contractor costs even if your company escapes punishment.

²⁷⁴ "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).

²⁷⁵ Ibid

BMW was fined 10 million euros by South Korea's government recently for failing to report a product recall promptly and following local law. For breaking French data privacy laws known as the GPDR, Google was hit with a 50 million euro punishment. If you want to lessen the chances of having to pay a fine or penalty, then you should go through a proper plan for full compliance and make that plan's execution a top priority. To reduce the likelihood of incurring a penalty or fee, you should try to complete compliance and prioritize the implementation of a strong compliance structure. The primary pillars of your system will be documentation, follow-up, and tracking.²⁷⁶

4.12.5. Reputational Damage

In the 1990s, Kathy Lee Gifford's name was dragged through the mud when it was revealed that some of the garments from her collection were produced in sweatshops that used child labor. Similar issues were found with other companies investigated, including Nike. Although several of these companies have improved their supply chain management, their initial media frenzy has harmed their reputations. Many companies have spent years improving their supply chains, yet they still have not implemented the most basic auditing and compliance processes. Only last week did it come to light that the Spice Girls had been using sweatshops in Bangladesh to produce their pro-gender-equality tees.

²⁷⁶ “*VIOLATION OF CSR PROVISIONS AND ITS CONSEQUENCES- AN ANALYSIS*” available on <<https://www.linkedin.com/pulse/violation-csr-provisions-its-consequences-analysis-peer-mehboob>> (Last accessed 21 July 2022).

A building collapse in Bangladesh involving one of Joe Fresh's suppliers killed 1,134 people a few years ago, shocking the company. Even the most basic requirements of the Building Code were not met, let alone any health and safety requirements. Many companies across the globe face significant difficulties and extra expenses due to poor supplier management. A social initiative is an excellent approach to engaging with people and creating a company's image as a reliable industry leader. However, insensitivity might make it seem exploitative. Before making loud proclamations about your company's social initiatives, you should consider why you want to contribute and how it will be perceived, especially in light of recent public communications about your brand. Reputational harm is imminent if the response to one of the two inquiries is ambiguous or negative.²⁷⁷

4.12.6 Access to Markets and Product Delays

Blocking a company's goods at the border, issuing a recall, or destroying inventory owing to compliance difficulties is one of the most financially disastrous occurrences a business can face. A person Just before Christmas went to get a few of his favorite alcoholic Italian pastries. To sell cakes in Canada, the government needs a license (Act concerning offenses linked to alcoholic beverages, CQLR I-8.1-note the ambiguity in section 102 regarding food!), which is why the cakes were delayed at customs. Businesses in retail, distribution, and manufacturing all took a significant financial hit at one of the year's busiest times because they couldn't secure permits in

²⁷⁷“*Irresponsible CSR can damage your reputation*” available on <https://reputationtoday.in/irresponsible-csr-can-damage-your-reputation/> (Last accessed July 21, 2022).

time for the holidays. Next year's cakes will contain just 0.5% alcohol. How much did their lack of information cost?

A Brazilian automaker introduced a new minibus vehicle on an even greater scale. They ensured that the airbags, seatbelts, and brakes met regulations throughout the design process. The first tens of thousands of cars were built, and production ramped up over a year.²⁷⁸

4.13 Conducting an evaluation is crucial for making the CSR implementation process more effective.

Hohnen (2007) says that an assessment must be conducted to enhance the CSR implementation process. The assessment will subsequently be utilized if new CSR techniques are agreed upon and implemented, as well as to determine which areas need improvement and how the changes should be implemented.

1. Plan

- Formulation of a Corporate Social Responsibility Plan or Strategy
- Decentralized techniques for working
- Clearly defined direction, instruments, and approach

2. Do

- Create a CSR working group,
- Consult and include senior management.

²⁷⁸“Risks and Consequences of Regulatory Non Compliance with Examples” available on <https://nimonik.com/2019/01/3-main-risks-of-non-compliance/> (Last accessed July 21, 2022).

- Develop a CSR commitment.
- Run a CSR business strategy,
- Prepare a CSR commitment document.
- Focus on Middle Manager Engagement,
- Determine roles and responsibilities, and
- Manage the present HR system.
- Develop specific goals and define indicators of success.
- Financial and Non-Financial Factors
- Ongoing CSR-training
- Communication planning
- Two-way communication
- Discussion with staff

3. Check

- Track progress toward goals and evaluate results.
- Reward system.
- Update on progress.
- Comment

4. Improve

- Evaluate
- Strengths
- weaknesses
- Opportunities
- Threats

- To enhance the implementation process.²⁷⁹

4.14 Cases of Noncompliance of CSR by Some Major Corporations and its Consequences faced by Companies.

4.14.1 Shell company case

In the 1970s and 1980s, Shell faced harsh criticism for its continued economic dealings with South Africa and its flagrant disregard for anti-apartheid measures. Shell has been criticized for its role in generating environmental degradation.²⁸⁰

4.14.2 Nike company case:

The world's largest maker of sports equipment, Nike, was at the center of a dispute regarding its treatment of workers in Asia. Large numbers of customers boycotted the firm, the press covered the event negatively, stakeholders and pressure groups voiced their disapproval, and top executives were forced to make hasty policy adjustments due to the crisis.²⁸¹

4.14.3 Enron company case:

Another pivotal moment in the development of CSR was the Enron scandal, which presented a strong case for the widespread use of CSR practices. With over 40 nations and 21,000 employees, Enron became the largest company in the United States in only 15 years. The company was subjected to criminal investigations, lawsuits, and a poor reputation; open reporting was developed to prevent similar corruption in the

²⁷⁹“The CSR Implementation process” available on <<https://researchportal.hkr.se/en/studentTheses/the-csr-implementation-process>>(Last accessed July 20, 2022).

²⁸⁰ Ibid.

²⁸¹ Ibid.

future. Enron's report on social and environmental conditions stresses the ethical elements of corporate social responsibility (CSR).²⁸²

4.15. Conclusion

The findings of this research support the importance of corporate social responsibility (CSR) in developing countries, especially in the context of Pakistani philanthropy. In addition, the scope of CSR in Pakistan is narrowly construed, beginning and ending with charitable giving and community development. Giving back to one's community and making charitable contributions are essential social responsibility acts. Awareness of CSR is deficient among public sector employees. The ideals of the United Nations' global agreement have not been adequately addressed in developing nations, including Pakistan. Most government employees do not know what the UN global accord is.

CSR's wide breadth and many methods reflect these features. If organizations take the time to handle these various CSR approaches, they may reap financial and societal rewards. Concern for the environment, social compliance, corporate ethical standards, community investment, and stakeholder engagement are all examples of how firms may put CSR into reality. The private sector has to model itself after the institutions mentioned above to continue making strides forward. There is a pressing need to formulate and implement CSR policies in this sector. Perhaps the CSR efforts of these companies marked the beginning of good times for the nation. In conclusion, modern

²⁸² *"The CSR Implementation process"* available on <<https://researchportal.hkr.se/en/studentTheses/the-csr-implementation-process>> (Last accessed July 20, 2022).

firms in the Pakistani economy prioritize social and ecological responsibility, human rights, moral management, sustainability, and development via their goods, processes, services, and connections. Corporate social responsibility (CSR) in Pakistan ensures that a company's actions positively affect the community, the economy, and the environment.

However, the CSR model's scale must be measured in both directions. Progress following openly discussed CSR tendencies might be made more transparent via these indicators to monitor changes over time and compare performance to industry standards. It is one of the most crucial aspects of effectively meeting CSR responsibilities.

CHAPTER NO 5: RECOMMENDATIONS AND CONCLSION

5.1 Introduction:

It is not only businesses that recognize the importance of corporate social responsibility (CSR) anymore; groups like the government, local communities, and international organizations like the United Nations and the World Bank all consider CSR a priority. It has taken on increased importance in developed economies and emerging and developing ones since the 2008 financial crisis. Poverty, unemployment, illiteracy, and human rights abuse are all persistent issues in today's Pakistan. These issues need the participation of businesses since they cannot be solved by the state and civil society alone.

Thus, the private sector has joined the government, civic society, and multilateral and bilateral development organizations in placing a premium on the notion of development. Due to rising globalization and corporate power, businesses are under greater pressure than ever to be "socially responsible" and aid in the growth of underprivileged areas. Moreover, "the 1980s witnessed a dramatic movement away from state involvement in both industrialized and developing nations" stressing the necessity for the business sector to play a large role in development, historically the duty of the state. It is widely held that modern firms, equipped with their vast resources and worldwide reach, may contribute significantly to the objective of social and economic progress. Corporate social responsibility (CSR) has emerged as one response to alleviating poverty and underdevelopment, alongside the ideas of social entrepreneurship, bottom-of-the-pyramid schemes, and "creative capitalism. It is in

response to international development agencies' agenda for cross-sector partnerships between the state, civil society, and the market.²⁸³

However, during the last several decades, criticism of businesses has increased in response to corporate scandals the oil and mining industries, particularly, have come under fire. Critics, especially from the NGO sector, decry the hypocrisy of what they see as hollow corporate PR exercises that do little to address the root causes of poverty, ecological devastation, and social inequality. As a result, firms are under growing pressure to demonstrate social responsibility and make positive contributions to their local communities in order to regain their "social license to operate". At the same time, international organizations have taken the lead in pressuring businesses to improve their social responsibility. "The United Nations Global Compact is perhaps the most well-known of these efforts." Currently, over 130 nations and 10,000 business participants are a part of it. It is also the biggest corporate accountability drive that's entirely voluntary²⁸⁴

5.2 General Recommendations

Here are some suggestions for improving Pakistan's news coverage of environmentally friendly topics. We divided the recommendations in three main categories for the proper implementations of corporate sustainability concept. These recommendations suggest the all the aspects of CSR implementation general, Legal and Regulatory.

²⁸³Nadeem Malik "*Corporate social responsibility and Development in Pakistan*"(2014) 9.

²⁸⁴"*United Nations Global Compact*" available on<<https://www.investopedia.com/terms/u/un-global-compact.asp>>(Last accessed July 23, 2022).

5.2.1 Awareness Sessions

Pakistan still has a long way to go regarding integrated and sustainable reporting. The importance of sustainability reporting and the rewards it may bring to businesses should be more widely known. The board of directors must set the proper "tone at the top" to ensure that sustainable development is prioritized as a process inside the organization and that relevant reporting results. CEO and beneficial owner education programs should lead to more companies disclosing their ownership structure.²⁸⁵

5.2.2 Showcasing the Achievements of Organizations

During the deliberations that led to this study, certain businesses reporting on sustainability made many claims about the advantages they get as a result. Those businesses should be examples for enterprises that have yet to report sustainability-related issues.²⁸⁶

5.2.3 Policy-Level Intervention

At the current moment, sustainability reporting is not required. Once required, reporting in this area will become inextricably tied to a certain business's impact on the advancement of SDGs. More importantly, if sustainable development reporting is mandated, we should expect a substantial increase in the number of businesses reporting on this topic separately. From 2016 through 2030, the China Pakistan Economic Corridor is planned to bring massive investment to Pakistan in infrastructure, transportation, and electricity projects (CPEC). There will be

²⁸⁵Nadeem Malik, "Corporate social responsibility and Development in Pakistan" (2014) 9.

²⁸⁶Nadeem Malik, "Corporate social responsibility and Development in Pakistan" (2014) 9.

environmental consequences for all of the initiatives. As a result, businesses involved in CPEC projects would be more likely to implement robust sustainability reporting if required.²⁸⁷

5.2.4 Capacity-Building Sessions

Executives in different organizations need to have their skillsets bolstered to comprehend the full scope of the sustainable development process and the reporting standards imposed upon them. Executives might benefit from integrated thinking throughout the organization by participating in such training sessions. It may be argued that greater effort is needed to convince businesses to embrace the sustainability reporting framework and that capacity-building initiatives should follow. Sustainability reporting is becoming more important as global environmental challenges evolve. Seminars, workshops, and other forms of awareness-raising are needed in Pakistan to spread the practice of sustainability reporting and share the successes of the firms already doing so.²⁸⁸

5.2.5 Define and Promote Clear Incentives:

Businesses that donate to nonprofit organizations are given tax breaks and other benefits by the government.

There are the following Incentives.

- Awards. (ACCA-WWF PERA)
- Acknowledgment by the general public

²⁸⁷Nadeem Malik, “ *Corporate social responsibility and Development in Pakistan*” (2014) 9.

²⁸⁸“*CSR Activity Targets and Achievements*” available on <https://www.fujitsu.com/caribbean/about/csr/vision/kpi/> (Last accessed July 23,2022).

- In this context, government-granted refers to businesses that a government agency has awarded special status, a lobbying group, a trade group, or a nonprofit with a public

The proper kind of business curiosity is aroused, and the right individuals are offered the opportunity to improve themselves.

5.2.6 Awareness campaigns

In order to broaden people's horizons in terms of their knowledge and information, awareness campaigns must be organized at both the governmental and non-governmental organizations (NGO) levels. These campaigns consist of things like workshops, conferences, seminars, and publications, among other things. A rise in the general public's knowledge will lead to the establishment of voluntary organizations. These associations have the potential to function as pressure groups against businesses, encouraging them to adhere to CSR principles and activities. Firms must get an understanding of the distinction between CSR and Corporate Philanthropy. Corporate philanthropy is more of a voluntary character and relies on the decision of the corporations to continue these activities; similarly, individual charitable action is analogous to corporate philanthropy in this regard.

In contrast, corporate social responsibility (CSR) focuses on the ethical and moral obligations businesses have to the communities in which they operate. Many aspects of society, including rural renewal, community development, health, education, rights, duties, economic growth, and infrastructure construction, might benefit from corporate social responsibility (CSR). In nations where a significant portion of the population lacks access to essential services like clean water, healthcare, schools, and

job prospects, large firms are obligated to engage in corporate social responsibility (CSR).²⁸⁹

5.2.7 Commitment of top management

For the implementation to be successful, it is necessary to have senior managers committed to making every effort to realize the goal of the strategy. Top managers cannot depend on and assume that the perceptions of the implementation held by middle managers are the same as their own. Hence, they must influence these individuals to get their simple message out. Corporate social responsibility (CSR) possibilities exist at every level of an organization. If upper management wants CSR to be ingrained in the firm's daily operations, it must offer guidance, advocate for, and promote CSR initiatives at all levels. Senior management must clearly and consistently demonstrate their commitment to whatever strategic initiatives the corporation decides to execute to successfully integrate a CSR strategy into the company's culture and ensure its employees realize the benefits of strategic CSR activities.²⁹⁰

5.2.8 Use the expertise of the middle manager.

Second, understanding that the implementation process does not use a bottom-up methodology is crucial. Successful implementations rely heavily on the input and

²⁸⁹ “*CSR Campaign 2019*” available on <<https://aurora.dawn.com/news/1143669/10-csr-campaigns-of-2019-hits-and-misses>> (Last accessed July 24 2022).

²⁹⁰ “The CSR Implementation process” available on <<http://www.diva-portal.org/smash/get/diva2:231292/FULLTEXT01.pdf>> (Last accessed 19 July 2022).

expertise of middle management, who are frequently overlooked despite their importance.

They are increasing the motivation of middle managers and giving them the impression that they are an integral part of the process. It may be accomplished by using the knowledge held by middle managers and ensuring that they are included in the process. Because the participation of middle managers enhances the awareness of the implementation across the business, This pick-me-up is necessary for everyone's regular productivity.²⁹¹

5.3 Recommendations on Legal Aspects of CSR

5.3.1 Legal Aspects of CSR must be highlighted

Companies have legal and contractual obligations that must be met as part of any CSR initiative, and these obligations take precedence over any other considerations. Research on CSR from a legal viewpoint may appear better suited to the social sciences, but this is not always the case, especially considering the legal framework of CSR in Pakistan. For several reasons, including that it is more directly tied to social issues than the legal side, CSR is still in its infancy in Pakistan (because of its non-binding character). Due to the government's lack of involvement, CSR is frequently confused with corporate giving. The country as a whole lacks any CSR-related

²⁹¹“The CSR Implementation process”available on<<http://www.divaportal.org/smash/get/diva2:231292/FULLTEXT01.pdf>> (Last accessed 19 July 202).

legislation. Despite several departments' expressed desire to participate in developing CSR implementation guidelines, no volunteer departments could be located.²⁹²

5.3.2 Corporate Social Responsibility should be legally Enforced

One example of "soft law" is corporate social responsibility (CSR). While not mandated by any "hard legislation" in the United States, such a policy is widely accepted inside businesses due to rising customer expectations and established industry standards. Corporate social responsibility (CSR) activities include

- Reforming labor rules and supporting fair trade,
- Giving back to the community via philanthropic contributions and volunteer work, and
- Investing in ways that benefit society and the environment.

There is a growing movement worldwide to codify CSR into hard law, even though it is now a soft law.

In 2011, the United Nations General Assembly adopted the UN Guiding Principles on Business and Human Rights (often known as the "UNGPs"). To avoid and minimize the possibility of harmful consequences to human rights deriving from economic activity, the UNGPs "established the first worldwide norm. The concepts have gained widespread acceptance, and businesses of all sizes may benefit from them. This legal framework lays out rights, responsibilities, and potential outcomes in detail. In light of the UNGPs' central role in shaping the content of good business practices and their consequential impact on international civil and commercial disputes, businesses

²⁹²*Legal Aspects of Corporate Social Responsibility* available on <https://utrechtjournal.org/articles/78/> (Last accessed July 30, 2022).

should develop litigation-ready CSR programs on human rights issues. Therefore, the UNGPs establish businesses' international tort responsibility to other persons.²⁹³

5.3.3 CSR activities periodically disclosed by corporations

Companies with a presence in the nation, either via registration or licensing, should be required to make periodic disclosures of their corporate social responsibility efforts (preferably annually). The law and the enforcement of contract clauses, which often include such restrictions, may make this mandatory. Where they have not already been done, the government should incorporate such clauses in contracts made with all domestic and international firms. The responsible government body must oversee the implementation and compliance of these regulations by commercial enterprises. In the case of E&P firms, this agency would be the Department of Petroleum Concessions. The relevant agency must take severe measures against disobedient businesses in the event of either carelessness or failure to carry out the operations above.²⁹⁴

5.3.4 Companies Act must be amended

There has to be a new section in the Companies Act of Pakistan that deals specifically with CSR activities. Even if lawmakers are less worried about this and implementation is the priority, a good lawyer should still speed things up and improve them. Section 135 of The India Companies Act (Corporate Social Responsibility) also changed business regulations for CSR to facilitate the effective execution of CSR projects. According to the Companies Act, 2013, effective as of April 1, 2014,

²⁹³“Can Corporate Social Responsibility Be Legally Enforced?” Available on <<https://www.forbes.com/sites/uhenergy/2019/10/11/can-corporate-social-responsibility-be-legally-enforced/>> (Last accessed July 30, 2022).

²⁹⁴“Corporate Social Responsibility (CSR)” available on <<https://corporatefinanceinstitute.com/resources/knowledge/other/corporate-social-responsibility-csr/?nowprocket=1>> (Last accessed July 30, 2022).

"Corporate social responsibility" (CSR) is required. Complete guidelines for implementing the Section Policy) Rules 2014 are provided. The administration proclaimed both on February 27 and started enforcing them on April 1. Act of 2019 to amend the Companies Act The Companies (Amendment) Act, 2019 was signed by the president and published in the Official Gazette on July 31, 2019, making it a law.²⁹⁵

5.3.5 The most notable change to Section 135.

which states that within thirty days after the end of the financial year, the company shall transfer any unspent CSR amount to a particular account to be opened by the company on its behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and the company shall spend such amount in pursuance of its obligation towards the Corporations.²⁹⁶

5.3.6 Moving towards mandatory legislation

Some countries, such as the United States and the United Kingdom, require businesses to report and disclose how they have met their environmental and social duties. It is proof that governments have recently begun valuing financial and

²⁹⁵“Amendments to CSR provision” available on <<https://www.lexology.com/commentary/corporate-commercial/india/clasis-law/amendments-to-csr-provisions#:~:text=The%20amended%20provisions%20require%20every%20company%20with%20a%20n.least%20one%20year%20before%20undertaking%20the%20impact%20assessment>> (Last accessed July 30,2022).

²⁹⁶ “Analysis of Draft companies (Corporate Social Responsibility Policy) Amendments Rules 2020” available on <<https://www.legaleraonline.com/articles/analysis-of-draft-companies-corporate-social-responsibility-policy-amendment-rules-2020>> (Last accessed July 30,2022).

sustainability performance equally. As witnessed in other countries, a shift from voluntary to required CSR is necessary. Industries in Qatar are now required by law to report on their progress toward sustainability. In this setting, businesses are obligated to report on their activities, ensuring they will strive toward achieving goals consistent with Qatar's National Vision 2030.²⁹⁷

5.3.7 Sector based legislation.

There is a CSR law in Indonesia that is required for certain industries. At the moment, only enterprises involved in the natural resources industry are mandated to have a CSR strategy in place. CSR (corporate social responsibility) is a practice that has grown in popularity among Indonesian companies over the last decade. Many countries are still figuring out how to legislate and enforce corporate social responsibility (CSR). The government has made CSR implementation obligatory to counteract the blatant disregard for environmental and social responsibility by multinational corporations operating in Indonesia. Though significant progress has been made, much more work remains to guarantee consistent and successful implementation in Indonesia and abroad. CSR implementation in Indonesia is divided into required and optional subcategories following the Limited Company Liability Act No. 40/2007.

²⁹⁷“*Moving towards mandatory CSR – EU’s mandatory Human Rights Due Diligence proposal*” available on <<http://www.bos-cbscr.dk/2021/12/01/moving-towards-mandatory-csr/>>(Last accessed July 25, 2022).

For instance, Chapter V of Article 74 of Law No. 40 of 2007 relates to Limited Liability Companies. It regulates social and environmental responsibility for companies and businesses engaged in or dealing with natural resources.

Article 74 paragraph (1) of the UUPT lays down a couple of criteria for the companies to implement CSR:

1. This firm deals in natural resources.
2. A firm makes effective use of its natural resources by means of management and use.²⁹⁸

5.3.8 Mandatory reporting in key sustainability focus areas.

Some nations are even taking the initiative to legislate some elements of corporate responsibility. Most forms of forced regulation may be traced back to overarching national agendas. The United States, Australia, the United Kingdom, and France have all issued regulations that will directly affect how countries report carbon disclosures and similar data. The increased monitoring and the possible motivation to strive toward lower carbon emissions are two benefits of this technique. By zeroing down on certain sectors, Pakistan may be able to implement similar approaches.²⁹⁹

²⁹⁸“*Corporate Social Responsibility in Indonesia: Regulation and Implementation Issues*” Available on <<https://www.abacademies.org/articles/corporate-social-responsibility-in-indonesia-regulation-and-implementation-issues-7240.html>> (Last accessed July 30,2022).

²⁹⁹“*Mandatory CSR and sustainability reporting: economic analysis and literature review*” Available on <<https://link.springer.com/article/10.1007/s11142-021-09609-5>> (Last accessed July 30,2022).

5.3.9 Obligatory allocation of profits towards CSR

Companies in India with a high net profit (at least \$920,000) are mandated by a new statute to allocate 2% of their earnings to corporate social responsibility initiatives. The amount of money spent must also be made public. The legislation's goal is to improve visibility to attract foreign direct investment.

By issuing the guidelines, Pakistani authorities have taken their first steps toward enforcing responsibility in the country's business sector. As CSR procedures in the business sector continue to improve, evaluation of success in CSR disclosures will pave the way for increasingly complex assessments tied to national development and foreign investment objectives.³⁰⁰

5.3.10 Introduce the concept of Triple Bottom Line

In the middle of the 1990s, John Elkington was busy developing a new framework for gauging the performance of businesses, one that would take into account the long-term viability of their operations. The "triple bottom line" (TBL) accounting approach considers stakeholder value, social impact, and environmental sustainability in addition to traditional financial measures. By illustrating how an organization's investments affect its bottom line, society, and the environment, triple bottom line reporting can be a powerful tool for accomplishing sustainability goals.

³⁰⁰ "Regulating Corporate Social Responsibility in Pakistan" available on <https://www.tbl.com.pk/regulating-corporate-social-responsibility-in-pakistan/> (Last accessed July 30, 2022).

The Triple Bottom Line (TBL) accounting method includes financial, social, and environmental impacts. Unlike traditional reporting frameworks, this one considers ecological (or environmental) and social indicators, so finding appropriate assessment methodologies may not be easy. Humans, ecosystems, and financial gain are called the "three Ps" or TBL dimensions. These are what we will call the "3Ps."³⁰¹

5.3.11 Mandatory spending on CSR activities

NGOs in India will benefit from a new law that goes into effect on April 1, requiring certain firms to donate at least 2% of their net profits to CSR projects.

Section 135 of the Companies Act mandates that companies with a net profit of more than Rs50 million, a net value of more than Rs5 billion, or an annual turnover of more than Rs10 billion devote at least 2% of their average net profit for the previous three years to CSR activities. Therefore, the obligatory spending by the corporate sector on CSR activities is expected to lead to a more professionally staffed social enterprise industry.³⁰²

5.3.12 Proper implementation of penalties against corporation

Corporate social responsibility (CSR) may be effectively implemented if the idea of sanctions for non-compliance on the part of firms is introduced. The Company Act of India is credited with pioneering this concept. According to Section 135 of the Companies Act, 2013, a company must invest at least 2% of its average net profits in

³⁰¹ "Regulating Corporate Social Responsibility in Pakistan" Available on: <https://www.tbl.com.pk/regulating-corporate-social-responsibility-in-pakistan/> (Last accessed July 30, 2022).

³⁰² "Mandatory spending on CSR activities" available on <https://www.dawn.com/news/1090574> (Last accessed July 30, 2022, 2022).

fixed assets over the three fiscal years before the current fiscal year. The board must explain why in the annual report if this money is not put aside. If the company breaks the rules in this section, it will be punished as described in Section 134 (8).

Section 134(8): A company policy on CSR activities undertaken throughout the year must be included in the Board Report under Section 134(3)(o) of the Companies Act.

- If a violation of Section 134, the firm may expect to pay a punishment of at least Rs.50,000 and up to Rs.250,000.
- A quorum of officers must be present for a meeting to take place.
- The maximum sentence is three years in jail, while the minimum fine is Rs. 50,000.
- However, which may exceed Rs. 5,00,000/-; or Both³⁰³

5.4 Recommendations on Regulatory Aspects of CSR (Role of SECP in implementation and Monitoring CSR in Pakistan)

There are now many new enterprises in the marketplace. Focusing on the new dimensions is crucial to the success of organizations. Businesses now understand their obligations to the community more than ever before. These days, businesses care not just about making a profit but also about positively impacting the world around them. The concept of corporate social responsibility (CSR) is gaining ground as more and

³⁰³“Violation of CSR provisions and its consequences - An analysis” available on <[212](https://www.caclubindia.com/articles/violation-of-csr-provisions-and-its-consequences-an-analysis-33695.asp#:~:text=Section%20135%20does%20not%20lay%20down%20an%20penal,spending%20t he%20amount%20under%20Section%20134%20%283%29%20%~'28o%29.> (Last accessed July 31,2022).</p></div><div data-bbox=)

more businesses recognize the need to care for the planet and its resources. Corporations now understand that safeguarding the future of the communities and ecosystems they contribute to is essential to their survival. In the same way that regulatory bodies in the United Kingdom, the United States, Denmark, and France all play crucial roles in fostering a CSR culture, SECP can do the same for Pakistan. The role of SECP in the following scenarios is possible.³⁰⁴

5.4.1 Seed a Vibrant National Forum:

If Pakistan established a national CSR forum, it might facilitate sharing ideas and lessons learned, propelling the country to the next level of CSR achievement. The event may be organized and managed by the Securities and Exchange Commission of Pakistan (SECP), the Institute of Corporate Governance, a university, or a suitable public sector institution.³⁰⁵

5.4.2 Groom Future Corporate social responsibility (CSR) Leaders:

Corporate and individual Pakistani societies are rife with leaders in the field of innovation. These forward-thinking business moguls may be invaluable in building a bench of potential successors and inspiring others to follow in their footsteps. These heads of state must take the initiative to study CSR topics, demonstrate ethical conduct inside their organizations, work with other responsible heads of state, and provide a teaching platform for the next generation of leaders. Future leaders may be encouraged to play more active roles in society through organizations representing

³⁰⁴ “*Corporate social responsibility*” Available on <<http://www.chowrangi.com/corporate-social-responsibility.html>> (Last accessed February 16, 2022).

³⁰⁵ “*Implement CSR commitments*” Available on <<http://www.ic.gc.ca/eic/site/csr-rse.nsf/eng/rs00135.html>> (Last accessed July 1, 2022).

them, such as trade groups, the Securities and Exchange Commission of Pakistan (SECP), business schools, and CSR-enabling institutions.³⁰⁶

5.4.3 Promote a Shared Strategic Vision:

The nation needs CSR champions who can develop a compelling strategic vision for CSR and back it up with action. The Securities and Exchange Commission of Pakistan (SECP) ensures that this objective is met.

5.4.4 Build Strong Conceptual Knowledge:

Pakistan's CSR initiatives should include concerted efforts to educate the public about the fundamentals of CSR success. A Pakistan-specific "definition of corporate social responsibility (CSR) with accompanying policy guidelines for the government to implement corporate social responsibility" may be proposed by government representatives from the Security and Exchange Commission of Pakistan (SECP), businesses, and hand-picked CSR experts (CSR).

5.4.5 Organize and lead CSR (corporate social responsibility) classes :

Teaching employees about CSR is crucial. The best training programs are based on adult learning concepts, in which the learner has an active role in determining the course of his or her education.

For a training program to be effective, the following five stages must be completed:

- A needs assessment is being carried out.
- Educational Goal-Setting.
- Planning the program (including its content, structure, logistics, scheduling, and length.
- Translation: Running the Program.

³⁰⁶ibid.

- Comparison of the program's results to its stated goals for student growth.³⁰⁷

5.4.6 Perform Corporate Social Responsibility (CSR) with uniformity and harmony :

To gain an edge in worldwide competition by participating in the global CSR conversation and receiving international recognition, the most pressing need is a CSR instrument that considers our national restrictions and capabilities. When it comes to corporate social responsibility (CSR) reporting, government agencies like the Security and Exchange Commission of Pakistan (SECP) need to work with civil society groups with technical expertise in CSR reporting standards to streamline the guidelines and promote CSR reporting through CSR Report Awards.³⁰⁸

5.5 All participating states must establish a CSR concept consistent with international law instruments.

The United Nations (U.N.), the Organization for Economic Cooperation and Development (OECD), and the International Labor Organization are just a few of the international organizations that have highlighted the importance of companies functioning ethically and respecting human rights (ILO). Regarding human rights, labor, the environment, and fighting corruption, the U.N. Global Compact's Ten

³⁰⁷“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 August 1, 2022).

³⁰⁸“CORPORATE SOCIAL RESPONSIBILITY IN PAKISTAN: ITS STATUS AND WAYS FORWARD” Available on <<https://www.iabpad.com/corporate-social-responsibility-in-pakistan-its-status-and-ways-forward/>> (Last accessed August 1, 2022).

Principles stress the need to uphold ethical corporate practices (U.N. Guiding Principles). For instance, the Sustainable Development Goals set out by the United Nations urge corporations to value collaboration and creativity (U.N. 2030 agenda). These principles are grounded in the U.N. Convention against Corruption, the International Labor Organization's Declaration on Fundamental Concepts and Rights at Work, the Rio Declaration on Environment and Development, and the Universal Declaration of Human Rights.

According to the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), businesses should use caution and care to prevent, reduce, and account for any unanticipated negative consequences. The OECD Due Diligence Guidance for RBC advises on how to do due diligence and a list of banned activities that business following the OECD Guidelines may find helpful.

Our sample of Member States includes France and the Netherlands, which have enacted due diligence rules outlining general and specialized (in the case of the Netherlands, including the avoidance and suppression of child labor) due diligence obligations (France). Several E.U. countries, most notably Germany, have campaigned for this kind of law, and Parliament has approved a provisional draught that they are presently revising.³⁰⁹

³⁰⁹“*CSR AND INTERNATIONAL INSTRUMENTS*” available on https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/instructionalmaterial/wcms_227866.pdf (Last accessed July 31, 2022).

5.6 Conclusion

Based on what has been said, it is apparent that assistance is required to help firms in Pakistan adapt to the new standards of corporate performance and consumer acceptability set by the fast-developing corporate social responsibility (CSR) environment. The current degree of corporate social responsibility (CSR) in Pakistan has to be raised.

Considering the present state of CSR in Pakistan, which entails establishing responsible competitiveness, calls for a concerted group effort to foster a culture of compliance and an atmosphere conducive to responsible thoughts and actions. The only way to do this is for governments to prioritize CSR and for businesses to design and execute a national CSR plan.

As a first step, we need a forum dedicated to corporate social responsibility (CSR) discussions. Formalizing a corporate social commitment (CSR) policy and learning committee comprised of people representing important stakeholders is an example of such an institutional framework. This group may first emerge as a less-than-formal working coalition under the auspices of the Security and Exchange Commission of Pakistan (SECP) or an academic or corporate social responsibility (CSR) research institution. Then, if necessary, it may develop into an autonomous organization.

Pakistan, like other underdeveloped countries, uses CSR for charitable purposes, which only broadens the field to a limited extent. Charitable work falls under the umbrella of corporate social responsibility and includes things like donating medication to hospitals, funding aid for victims of natural disasters, awarding scholarships to deserving students, and investing in community improvement

initiatives. The current research also explores how the United Nations Global Compact (UNGC) principles have been implemented in developing nations such as Pakistan. It also introduces many more CSR strategies and demonstrates how these strategies may assist businesses in revitalizing their existing CSR initiatives. Researchers in this research developed a corporate social responsibility (CSR) strategy in Pakistan's state-owned and privately-held companies. Businesses in Pakistan, both public and private, stand to gain financially and socially by following a CSR road map.

Corporate social responsibility from a legal standpoint is almost nonexistent in Pakistan. No one division was discovered to be actively working and striving to compel corporations to follow the norms of procedure carved out by the institutions associated with implementing CSR. While the government and NGOs may play an essential role in accelerating development, many aspects of public life in Pakistan have gone mostly untouched up until now that might benefit greatly from corporate social responsibility efforts. So there is need to move from voluntarily stage of the CSR towards the mandatory form and that is only possible by proper legislation related to CSR activities. We have the examples of others countries having the mandatory form of corporate social responsibility like India, France, United States of America, United Kingdom and Denmark. Pakistan needs to jump from its current situation of corporate social Responsibility. It's time to move from CSR theory towards CSR practices. If there is no possibility of separate legislation on corporate social responsibility amendments can be suggested in the recent Company Act as India made amendments in their company law related to CSR?

In light of recent changes to Pakistan's corporation legislation, CSR regulations are now within reach. Making a profit was formerly the primary objective of businesses, but that view has faded. To thrive and grow in the marketplace and establish themselves as industry leaders, companies must reinvest a percentage of their earnings in ways other than stockholder returns. New CSR requirements have taken effect in India, requiring companies to contribute 2% of their yearly earnings toward social development to improve the country's future. Regarding obligating businesses to practice CSR, India is the first nation in the world to do so. In current economically challenging times, a 2% allocation to corporate social responsibility is a significant amount of money.

Many improvements are needed to Pakistan's current framework for corporate social responsibility (CSR). In Pakistan, CSR law and policy primarily govern businesses' social and environmental operations. Pakistan's governing body, the Security and Exchange Commission of Pakistan, is responsible for market regulation (SECP). According to a recent order from the Security and Exchange Commission of Pakistan (SECP) (corporate social responsibility General Order 2009). Yet the companies are not compelled to submit to the authority of this order. There is no legal need for Pakistani corporations to comply with this SECP general directive.

At the outset of our investigation, we assumed that the CSR-related legal framework in Pakistan did not exist. Throughout this study, however, it became clear that CSR laws do exist in Pakistan, covering a wide range of topics from labor regulations to environmental safeguards, from voluntary suggestions to required contractual responsibilities. Yet, we discover that much has to be done in this area in Pakistan, where CSR is often misunderstood as just corporate charity.

Because the present rules in Pakistan do not effectively push firms to meet corporate social responsibility, new legislation relating to CSR is needed in Pakistan on par with those in other industrialized nations (CSR). It is pretty humorous to speculate about and uncover CSR's legal framework, given that CSR is voluntary and not mandated. Nonetheless, this does not imply that the notion of corporate social responsibility (CSR) is unconstrained by legal opposition. It's crucial to remember that there must be rules and regulations for formulating, establishing, executing, and enforcing CSR initiatives. Furthermore, in cases where the concept of CSR is only partially accepted, there has to be legal recourse and the ability to pursue punitive measures.

The current corporate social responsibility (CSR) level in Pakistan needs to be leapfrogged into the current situation. Every stakeholder must help put Pakistani businesses in a competitive position concerning CSR (corporate social responsibility). For companies to show their dedication to sustainable environmental or social investments, the government must establish a legal and regulatory framework that allows for such commitments, clear policy guidelines, neutral rating and reporting mechanisms, and real incentives and penalties. The media has the potential to play a significant role in raising public and corporate awareness about the importance of CSR. Therefore, we may conclude that all relevant actors in Pakistan—including the government, the media, companies, the regulatory authority, and statutory bodies—need to do their part to ensure that Corporate Social Responsibility is effectively implemented. Corporations, like their counterparts in other nations, have a duty to society, and it is up to them to accept that duty.

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