

**Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with Respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations.**

Submitted By

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# Abstract

This thesis investigates the Corporate Social Responsibility (CSR) practices within the Ready-Made Garment (RMG) industry of Pakistan, with a particular focus on the influence exerted by Australian RMG organisations. The context of this research lies in the increasing importance of CSR in global supply chains, particularly in the textile and apparel sectors. The study aims to explore how collaboration with Australian companies affects the CSR practices of Pakistani RMG organisations, particularly concerning economic, legal, ethical, and philanthropic responsibilities, as conceptualised by Carroll's CSR pyramid model.

The research adopts a mixed-methods approach, combining both qualitative and quantitative methodologies to provide a comprehensive analysis. Qualitative methods were employed to understand the subjective experiences, beliefs, and behaviours of individuals within the industry, particularly regarding ethical and social responsibilities. This involved conducting structured interviews with stakeholders from selected RMG companies, which provided in-depth insights into their CSR practices. Also, it compares Australian and Pakistani CSR laws, annual reports of RMG organisations from both countries and analyses case studies from Pakistan. Quantitative methods, on the other hand, were used to measure the effects of these practices more precisely, utilising the questionnaires with Likert-scale responses to analyse the relationships between various CSR dimensions and organisational performance.

Data collection involved both primary and secondary sources. Primary data was gathered from employees of 11 national and multinational RMG companies in Pakistan by using both open and closed-ended questionnaire. Secondary data included a review of relevant literature, legal frameworks, and case studies from both Pakistan and Australia. The black-letter law approach was employed to analyse legal documents, providing a clear understanding of the CSR regulations in both countries. Annual reports were collected from both Australian and Pakistani RMG organisations and 13 case studies from Pakistan were analysed to discuss CSR activities in Australia and Pakistan.

The major conclusions drawn from this research indicate that collaboration with Australian RMG organisations positively impacts the CSR practices of Pakistani RMG companies. This influence is particularly evident in the areas of legal compliance, ethical responsibilities, and transparency. However, the study also reveals significant

challenges, such as the limited effectiveness of Pakistani legal frameworks in enforcing CSR standards and gaps in the knowledge transfer process between Australian and Pakistani companies. The outcomes show that while Australian companies play a crucial role in enhancing CSR standards in Pakistan, there is still considerable room for improvement, particularly in the enforcement of legal and ethical standards within the local industry.

Based on these findings, the thesis offers several recommendations. Policymakers in Pakistan are urged to strengthen the legal frameworks governing CSR, with a focus on more effective enforcement mechanisms. RMG organisations in both Pakistan and Australia are encouraged to engage in cross-border collaborative initiatives that prioritise CSR, including joint projects and knowledge exchange programs. Additionally, the study emphasises the importance of transparency in CSR reporting and the need for increased consumer awareness regarding the CSR practices of RMG organisations.

In conclusion, this research contributes to the broader discourse on CSR in developing economies by highlighting the complex dynamics between local industries and their international partners. The insights provided by this study aim to guide both practitioners and policymakers toward more effective and sustainable CSR strategies in the global fashion industry.

**Key Words:** Corporate Social Responsibility, CSR Regulations in Australia and Pakistan, CSR in the RMG industry of Pakistan and Australia.

## Declaration

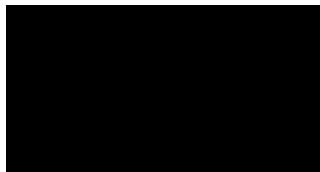
I, Muhammad Usman Akbar, declare that my PhD thesis entitled “Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations” is no more than 80,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated this thesis is my own work.

I have conducted my research in alignment with the Australian Code for the Responsible Conduct of Research and Victoria University’s Higher Degree by Research Policy and Procedures.

## Ethics Declaration

Furthermore, I declare that all research methodologies and procedures described in this thesis were conducted in full compliance with ethical standards. Approval for these procedures was granted by the Human Research Ethics Committee at Victoria University, and the ethics approval number for this project is **HRE22-179**.

Signature:



Date: 27/08/2024

# Dedication

This thesis is dedicated to my beloved parents, whose financial support and unwavering encouragement have been the foundation of my academic journey. Their sacrifices and guidance have helped me to make this achievement possible, and for that, I am eternally thankful.

To my dear wife, your steadfastness and strength have been a source of immense support. Despite facing illness, you have taken care of our children and managed our home with grace and resilience. Your unwavering belief in me has been my motivation through every challenge.

To my wonderful children, you bring joy and meaning to my life. The constant source of inspiration and motivation has been your presence.

I also wish to extend my heartfelt gratitude to my supervisors. Your diligent guidance and support have been instrumental in the successful completion of this project. Your mentorship has been invaluable.

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I extend my profound gratitude to Professor Anona Armstrong, whose steadfast support and unparalleled dedication have been the cornerstone of my research journey. Her exceptional insights, groundbreaking ideas, and strategic guidance have been instrumental in shaping the success of both my Master by Research and PhD endeavours. The meticulous attention she provided to every aspect of my work, from refining writing skills to steering my research project, has left an indelible mark on my academic career. Her role in my achievements is truly unforgettable.

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not only taught me how to present effectively at conferences but also facilitated my participation in two major conferences in the United Kingdom. These experiences significantly boosted my confidence and provided me with opportunities to engage with leading speakers and research discussions, which were vital in addressing the challenges within my own research.

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I am greatly appreciative of my family for their unwavering support throughout this journey. My heartfelt thanks go to my younger brothers Muhammad Faizan Akbar, Dr Muhammad Arslan Akbar, and my younger sister Iman Akbar, whose constant encouragement and mental support were pivotal in motivating me to complete this project.

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# List of Abbreviations

ACCA	Association of Chartered Certified Accountants
AFRS	Accounting and Financial Reporting Standards
APTPMA	All-Pakistan Textile Processing Mill Association
ASX	Australian Stock Exchange
AUD	Australian Dollar
BLLF	Bonded Labour Liberation Front
BP	British Petroleum
BSR	Business for Social Responsibility
CAQDAS	Computer-Aided Qualitative Data Analysis Software
CED	Committee for Economic Development
CEO	Chief Executive Officer
COVID	Coronavirus Disease
CPI	Cleaner Production Institute
CPSC	Consumer Product Safety Commission
CRI	Corporate Responsibility Index
CSI	Corporate Social Investment
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSRCP	Corporate Social Responsibility Centre of Pakistan
CSV	Creating Shared Value
DC	Detective Constable
DFAT	Department of Foreign Affairs and Trade
EC	European Commission
ECRC	Egyptian Corporate Responsibility Center
EEOC	Equal Employment Opportunity Commission
EOBI	Employees Old-Age Benefits Institution
EPA	Environmental Protection Agency
EPBC	Environment Protection and Biodiversity Conservation

ESG	Environmental Social Governance
ETI	Ethical Trading Initiatives
EU	European Union
FIR	First Investigation Report
FKTU	Federation of Korean Trade Unions
GDP	Gross Domestic Product
GNP	Gross National Product
GRI	Global Reporting Initiative
ICAP	Institute of Chartered Accountants of Pakistan
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
KCTU	Korean Confederation of Trade Unions
KPMG	Klynveld Peat Marwick Goerdeler
LEAD	Leadership for Environment and Development
MCA	Minerals Council of Australia
MLM	Ministry of Labour and Manpower
NFEH	National Forum for Environment and Health
NGO	Non-Governmental Organisation
NIRC	National Industrial Relations Commission
OECD	Organisation for Economic Co-operation and Development
OSHA	Occupational Safety and Health Administration
PKR	Pakistan Rupee
PPPBMA	Pakistan Pulp, Paper, and Board Mills Association
PSMA	Pakistan Sugar Mills Association
PTA	Pakistan Tanners Association
RGI	Readymade Garment Industries
RMG	Ready-Made Garment

SAM	Sustainable Asset Management
SCSR	Strategic Corporate Social Responsibility
SD	Sustainable Development
SDG	Sustainable Development Goals
SECP	Securities and Exchange Commission of Pakistan
SHO	Senior Head Officer
SP	Superintendent Police
SPSS	Statistical Package Social Sciences
SRO	Statutory Regulatory Order
TBL	Triple Bottom Line
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
UNGCN	United Nations Global Compact Network
UNICEF	United Nations Children's Fund
USA	United State
VIC	Victoria
VU	Victoria University
WWF	Worldwide Funds
YMCA	Young Men's Christian Association

# Chapter 1: Introduction to Thesis

## 1.1 Introduction

The Ready-Made Garment (RMG) industry, a pivotal sector in the global economy, serves as a crucial source of employment and economic development in countries like Pakistan<sup>1</sup>. The RMG industry is inherently global, with supply chains often spanning across countries. Australian RMG organisations trade with Pakistan and play a significant role in this global network<sup>2</sup>. CSR includes the moral, societal, and environmental accountabilities that a company has towards all its stakeholders and community broadly<sup>3</sup>. By addressing CSR issues, organisations can enhance their reputation, build trust with stakeholders, mitigate risks, and contribute to sustainable development. Therefore, understanding and addressing CSR concerns are essential for fostering ethical and responsible business conduct. This sets the point for the subsequent discussion on the specific CSR issues and challenges that will be addressed in the following sections of the thesis. Corporate Social Responsibility (CSR) has gained prominence as a guiding framework for organisations to ensure ethical, sustainable, and socially responsible business practices. As CSR becomes increasingly integrated into corporate strategies, it is imperative to examine how organisations, particularly those from developed world such as Australia, address ethical dimensions in their operations within the Pakistani RMG industry. Pakistan, like many other countries, has established legal frameworks to regulate CSR activities<sup>4</sup>. Understanding how legal compliance for CSR is navigated within the context of Pakistani regulations becomes crucial to uphold ethical standards and fulfil the corporate responsibilities of Pakistani RMG organisations. This research aims to develop the CSR activities of ready-made garment organisations in Pakistan and Australia by comparing their CSR practices and the CSR laws in these two countries. This thesis will analyse through a comparative study what made the clothing

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<sup>1</sup> Fair Wear, *Pakistan Country Study* (Report, June 2021) 1, 19 < <https://api.fairwear.org/wp-content/uploads/2021/06/2021-CS-PAKISTAN.pdf>>.

<sup>2</sup> 'Pakistan Country Brief', *Australian Government Department of Foreign Affairs and Trade* (web Page) <<https://www.dfat.gov.au/geo/pakistan/pakistan-country-brief>>.

<sup>3</sup> Gregor Pfajfar et al, 'Value of Corporate Social Responsibility for Multiple Stakeholders and Social Impact-Relationship Marketing Perspective' (2022) 143 *Journal of Business Research* 46, 47.

<sup>4</sup> Noreen Akhtar and Farkhanda Zia, 'Legal and Regulatory Framework of Corporate Social Responsibility in Pakistan' (2022) 6(3) *Pakistan Languages and Humanities Review* 152, 154.

organisations in a developed country to practice CSR activities better than the textile companies in a developing country.

## 1.2 Research Background

Businesses are like pathological institutions; they are critical carriers of the great power they exercise over people and societies. The purpose of corporations is to make profits, no matter what<sup>5</sup>. In contrast, the editors of the Economist have described the company as “the most important organisation in the world”, asserting that it is “the basis for the prosperity of the West and the best hope for the future of the rest of the world”<sup>6</sup>. As a result, businesses can be both good and bad, as well as responsible and careless. It must behave in a way that is socially responsible.

The foundation of corporate social responsibility (CSR) is the idea of "good citizenship." A company's strength and scale, as well as the advantages that come with being a distinct legal organisation, gives it an obligation to society that goes beyond that of an average citizen. It is well established that the long-term profitability of a firm is adversely affected by bad corporate citizenship and acts motivated solely by the maximisation of short-term (particularly) profits<sup>7</sup>.

These examples amply demonstrate this: Nike's products were boycotted in the 1990s due to the company's exploitation of child labour in factories that resembled sweatshops. Nike now has a code of conduct that addresses labour laws and conditions for workers in their contracted factories<sup>8</sup>.

Also, BP as another example has implemented a number of CSR programmes. Programs pertaining to education, energy management, climate change, and community outreach are among them. But BP's Deepwater Horizon drilling rig blew up on April 20, 2010. Eleven people were killed in the explosion, which also caused a significant oil spill in the Gulf of Mexico. The media has labelled this as the worst CSR mishap in recent memory and as a result the price of BP's stock has dropped by

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<sup>5</sup> Harry Glasbeek, Bakan Joel and Haley Ella, ‘The Corporation-The Pathological Pursuit of Profit and Power [Wealth by Stealth-Corporate Crime, Corporate Law and the Perversion of Democracy]’ (2005) 55 *Labour*, 319.

<sup>6</sup> Irene-Marie Esser, ‘Corporate Social Responsibility: A Company Law Perspective’ (2011) 23(3) *SA Mercantile Law Journal* 317.

<sup>7</sup> Güler Aras and Crowther David, ‘Corporate Social Responsibility in Medium to Large Enterprises’ (2009) *Social Science Research Network* 1.

<sup>8</sup> Naidoo Ramani, *Corporate Governance: An Essential Guide for South African Companies* (LexisNexis 2<sup>nd</sup> ed, 2010) 242.

roughly fifteen percent since the oil disaster began. BP is keeping up its efforts to rebuild the Gulf Coast<sup>9</sup>.

Companies practice corporate social responsibility because they consider it beneficial for their stakeholders and conducive to business success<sup>10</sup>. However, CSR practices by the companies are not the same in developed and developing countries. Organisations' CSR activities are expanding around the developing world not as fast as the developed world. CSR is needed to iron out problems and once established will be the warning sign if issues arise. CSR is the roadmap of socially responsible businesses.

Companies in developed countries consider CSR as a crucial way of business and it embedded in enterprises' core strategies and business policies. Therefore, the concept of CSR in those countries is more than "charity events, donations, and surface-level 'do-gooding' for media"<sup>11</sup>.

Pakistan has a developing economy which is growing day by day. The textile industry is the most important sector of Pakistan's economy. In 2023-2023, it contributed almost 8.5% to the country's GDP, which amounted to a market size of PKR 3,923 bln in 2022. In the financial year 2022, the export contribution from the textile segment was PKR 3,349 bln which was 61% of total country exports<sup>12</sup>. This shows the opening up of the global economy and the increase in demand for textile exports of the country. However, the sector is growing and has a huge impact on the Pakistani economy, the RMG industry's corporate responsibilities and their contributions to society are not noticeable moreover the industry sees a rise in fire and other workplace accidents<sup>13</sup>. Pakistan and Australia occupy different roles within the global garment supply chain, making this comparison particularly compelling. Pakistan is a leading exporter of garments, supplying international markets with labour-intensive, low-cost apparel. The RMG sector in Pakistan is a cornerstone of its economy, contributing significantly to

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<sup>9</sup> Marie Esser (n 2) 317.

<sup>10</sup> Michael Hopkins, 'Corporate Social Responsibility: An Issues Paper' (2004) 27 *Social Science Research* 1.

<sup>11</sup> Eliza Sharma, 'A Review of Corporate Social Responsibility in Developed and Developing Nations' (2019) 26(4) *Corporate Social Responsibility and Environmental Management* 712.

<sup>12</sup> Economic Adviser's Wing Finance Division Government of Pakistan, *Highlights of Pakistan Economic Survey 2022-23* (survey Report, June 2023) 1, 40.

<sup>13</sup> Deadly Safety Hazards in Pakistani Factories Supplying H&M, C&A, Bestseller and Zara, *Clean Clothes Campaign* (August 17, 2023) <<https://cleanclothes.org/news/2022/press-release-deadly-safety-hazards-in-pakistani-factories-supplying-hm-ca-bestseller-and-zara>>.

employment, foreign exchange, and GDP<sup>14</sup>. In contrast, Australia's RMG industry is focused on retail and consumption, relying heavily on imports from countries like Pakistan<sup>15</sup>.

This dynamic creates a relationship where the ethical and CSR practices of Pakistan's RMG manufacturers directly affect the supply chains of Australian retailers. Comparing these two countries allows for an examination of how CSR practices differ between garment-producing and garment-consuming nations. It also highlights how CSR pressures in developed markets (such as Australia) influence CSR standards in developing economies like Pakistan.

The globalised nature of the garment industry means that the actions of RMG companies in Pakistan have a direct impact on businesses in Australia. Australian consumers and retailers are increasingly concerned about the ethical implications of their supply chains, demanding higher standards of environmental and labour practices from suppliers<sup>16</sup>. On the other hand, Pakistani RMG companies, which rely heavily on exports, must adhere to international CSR and sustainability standards to maintain market access.

By considering these countries, the study can explore how CSR initiatives are implemented in the supply chain, revealing the differences in how CSR is driven by external pressures in Pakistan versus internal regulatory and consumer demands in Australia. This global perspective is essential for understanding the interconnectedness of CSR practices in both countries.

One of the key reasons for choosing Pakistan and Australia is the stark contrast in their regulatory environments. In Pakistan, CSR is largely voluntary, with only a few sector-specific regulations in place<sup>17</sup>. In contrast, Australia has more developed legal frameworks that, while not mandating CSR, promote sustainability and responsible

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<sup>14</sup> Javed Ahmed Memon, Abdul Aziz and Muhammad Qayyum, 'The Rise and Fall of Pakistan's Textile Industry: An Analytical View' (2020) 12(12) *European Journal of Business and Management* 136,136.

<sup>15</sup> 'Pakistan (PAK) and Australia (AUS) Trade | The Observatory of Economic Complexity', *The Observatory of Economic Complexity* (Web Page) <<https://oec.world/en/profile/bilateral-country/pak/partner/aus>>.

<sup>16</sup> Fahreen Alamgir and Subhabrata Bobby Banerjee, 'Contested Compliance Regimes in Global Production Networks: Insights from the Bangladesh garment industry' (2019) 72(2) *Human Relations* 272, 297.

<sup>17</sup> Majid Khan, James Lockhart and Ralph Bathurst, 'The Institutional Analysis of CSR: Learnings from An Emerging Country' (2021) 46 *Emerging Markets Review* 2.



business practices through reporting requirements like the Australian Stock Exchange's (ASX) Corporate Governance Principles<sup>18</sup>.

This comparison enables the research to explore how companies in different regulatory environments respond to CSR pressures. In Pakistan, RMG companies may be more reliant on international standards and external market forces to shape their CSR strategies, while Australian companies may adopt CSR practices to comply with both regulatory expectations and consumer demand. This difference in regulatory maturity provides a valuable point of contrast.

Cultural and social factors also play a significant role in shaping CSR in both countries. In Pakistan, CSR is often influenced by religious and community values, where companies engage in philanthropy and social welfare activities rooted in Islamic principles<sup>19</sup>. In Australia, CSR tends to focus more on sustainability and environmental issues, reflecting a growing awareness of climate change and ethical consumption among Australian consumers<sup>20</sup>.

By considering these cultural influences, the study can provide insights into how local social and cultural contexts shape the CSR strategies of RMG companies in different parts of the world. This comparison adds depth to the research by exploring how CSR is not just a response to economic and regulatory factors, but also to the unique cultural landscapes of each country.

The level of CSR maturity in Pakistan and Australia is another reason for this comparison. Australia has a more advanced approach to CSR, with companies integrating it into their business strategies due to stronger regulatory frameworks and more active stakeholder engagement<sup>21</sup>. In contrast, CSR in Pakistan is still developing,

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<sup>18</sup> Rowan Cole, *ESG Reporting in Australia: The path Forward* ( Report, May 2024) <ESG Reporting in Australia: The Path Forward | Acclime>.

<sup>19</sup> Mohammad Sohail Yunis, Laila Durrani and Amad Ahmad, 'Corporate Social Responsibility (CSR) in Pakistan: A Critique of the Literature and Future Research Agenda' (2017) 9(1) *Business & Economic Review* 65, 66.

<sup>20</sup> Van Ha Nguyen, Frank W. Agbola and Bobae Choi, 'Does Corporate Social Responsibility Enhance Financial Performance? Evidence from Australia' (2022) 32(1) *Australian Accounting Review* 5, 6.

<sup>21</sup> Anne Elizabeth Fordham and Guy M Robinson, 'Mapping Meanings of Corporate Social Responsibility – An Australian Case Study' (2018) 3(1) *International Journal of Corporate Social Responsibility* <[https://www.researchgate.net/publication/327738806\\_Mapping\\_meanings\\_of\\_corporate\\_social\\_responsibility\\_-\\_an\\_Australian\\_case\\_study](https://www.researchgate.net/publication/327738806_Mapping_meanings_of_corporate_social_responsibility_-_an_Australian_case_study)>.

with businesses often treating it as an add-on rather than a core part of their operations<sup>22</sup>.

By comparing these two countries, the study can analyse how CSR evolves in different economic stages. The research can examine the challenges faced by Pakistan's RMG sector in adopting international CSR standards, and how this contrasts with the more integrated CSR practices in Australia's RMG industry. This comparison allows for a nuanced understanding of how companies in emerging markets can learn from more developed CSR environments.

Lastly, the exploration between Pakistan and Australia allows the study to investigate how CSR affects international competitiveness in the RMG sector. Pakistani RMG companies compete in a highly competitive global market where adherence to CSR standards can be a decisive factor in securing contracts with international retailers. On the other hand, Australian companies, while not direct competitors in garment production, must ensure that their supply chains meet ethical standards to satisfy both regulatory and consumer expectations<sup>23</sup>.

This comparison can reveal how CSR is leveraged as a competitive advantage in different contexts, with Pakistani companies needing to adopt CSR to maintain market access, while Australian companies use CSR to differentiate themselves in a competitive retail environment.

This thesis therefore intends to investigate the CSR activities of RMG organisations in Pakistan by comparing them with Australian RMG organisations.

### **1.3 Research Gap**

Over time the CSR concept expanded, and more organisations started to practice it effectively<sup>24</sup>. But still, some organisations are not exercising CSR activities appropriately and this is much noticeable in developing countries, rather than in

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<sup>22</sup> Mohammad Sohail Yunis, Laila Durrani and Amad Ahmad, 'Corporate Social Responsibility (CSR) in Pakistan: A Critique of The Literature and Future Research Agenda' (2017) 9(1) *Business & Economic Review* 65, 66.

<sup>23</sup> Michael E. Porter and Mark R. Kramer, 'The Link Between Competitive Advantage and Corporate Social Responsibility' (2006) 84(12) *Harvard Business Review* 78, 92.

<sup>24</sup> Rosamaria Moura-Leite and Robert Padgett, 'Historical Background of Corporate Social Responsibility' (2011) 7(4) *Social Responsibility Journal* 528.

developed countries<sup>25</sup>. While some organisations in developed countries have effectively integrated CSR into their operations, many organisations in developing countries, such as Pakistan are still lagging in adopting and implementing CSR initiatives. It is important to notice that many big brands from the developed world get their products directly from developing countries. Therefore, it needs to identify how those organisations who are trading with the big brands from developed countries practice CSR, as compared to the local organisations that do not trade with any international organisations at all. This discrepancy highlights a significant research gap in understanding the factors influencing the differential adoption of CSR practices between these two types of businesses, particularly in the context of the readymade garment industry. In addition, there is a lack of research in this area. When the author started reviewing the literature there were some research but they discuss “the effects of suppliers' CSR controversies on buyers' market value are examined”, “suppliers' environmental controversies are more harmful than social controversies”, “social capital helps buyers recover from suppliers' CSR controversies”, “political capital, business capital, and financial capital play roles in recovering”, “buyer–supplier dyadic data from Chinese listed firms are collected”<sup>26</sup>.

Regarding legal requirements of CSR activities of organisations, there are several studies. Research shows different types of laws have also emerged in the last few years<sup>27</sup>. Although all countries are trying to implement procedures to make sure that organisations are practicing corporate social responsibility, it is evident that developing countries are still far behind developed countries<sup>28</sup>. Previous studies have explored

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<sup>25</sup> Robert Phillips, Judith Schrempf-Stirling and Christian Stutz, ‘The Past, History, and Corporate Social Responsibility’ (2020) 166(2) *Journal of Business Ethics* 203.

<sup>26</sup> Yang Yang and Yan Jiang, ‘The Impact of Suppliers' CSR Controversies on Buyers' Market Value: The Moderating Role of Social Capital’ (2024) 30(1) *Journal of Purchasing and Supply Management* 100904; Yang Yang and Yan Jiang, ‘Buyer-Supplier CSR Alignment and Firm Performance: A Contingency Theory Perspective’ (2023) 154 *Journal of Business Research* 113340; Morteza Khojastehpour and Dima Jamali ‘Institutional Complexity of Host Country and Corporate Social Responsibility: Developing vs Developed Countries’ (2021) 17(5) *Social Responsibility Journal* 593, 612; Aparna Bhatia and Binny Makkar, ‘CSR Disclosure in Developing and Developed Countries: A Comparative Study’ (2020) 11(1) *Journal of Global Responsibility* 1, 26; Xiutian Shi, Hau-Ling Chan and Ciwei Dong, ‘Impacts of Competition Between Buying Firms on Corporate Social Responsibility Efforts: Does Competition Do More Harm Than Good?’ (2020) 140 *Transportation Research Part E: Logistics and Transportation Review* 101985.

<sup>27</sup> Li-Wen Lin, ‘Mandatory Corporate Social Responsibility Legislation Around the World: Emergent Varieties and National Experiences’ [2020] (23) *U. Pa. J. Bus. L.* 429, 430.

<sup>28</sup> Sharma (n 7) 712.

CSR activities between developed and developing countries<sup>29</sup>. However, their frameworks were not very extensive. In those studies, sample sizes were not adequate between selected countries, and these were assumed to represent the wide spectrum of CSR practices in the countries. Some of them discuss “how government promote CSR in developing countries”, “mandatory CSR legislation around the world”, “establishment of CSR as an obligatory responsibility linked to accountability, using ethical and legal jurisprudence”, “foundation for the consistent development of CSR regulations across different countries”<sup>30</sup>.

Thus, there are clear research gaps as the existing research does not explicitly shed light on the effects of big businesses from the developed world on the CSR activities of their suppliers in developing countries considering legal requirements in these countries. This study aims to address this gap by comparing CSR activities across two distinct types of RMG businesses in developing countries: (1) businesses that engage in trade with international organisations and (2) businesses that operate solely within the local market. This research also compares the CSR disclosure practices between developed and developing countries in the readymade garment industry, a developing country which is Pakistan and a developed one which is Australia to find out what makes differences in CSR activities in these two countries and how Australian RMG companies influence the CSR activities of Pakistani RMG businesses. This study also shows the importance of CSR laws and acts to encourage garment companies to perform CSR activities more efficiently in Pakistan and Australia.

## 1.4 Research aims, questions, and objectives

The primary objective of this research is to compare the CSR activities between local companies within the Pakistani readymade garment industry that do not engage in

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<sup>29</sup> Majid Khan, James Lockhart and Ralph Bathurst, ‘Institutional Impacts on Corporate Social Responsibility: A Comparative Analysis of New Zealand and Pakistan’ (2018) 3(4) *International Journal of Corporate Social Responsibility* 1; Fernando Susith and Stewart Lawrence, ‘CSR Practices: A Comparison between a Developed and A Developing Country’ (Conference Paper, Global Conference of Sri Lanka, 28-30 January 2015) 23; Anupama Goel and Himangshu Rathee, *CSR Policies in Different Countries: A Comparative Analysis* (in IntechOpen eBooks, 2023) 497 <<https://www.intechopen.com/chapters/83098>>; Enrico Fontana and Cedric Dawkins, ‘Contesting corporate responsibility in the Bangladesh garment industry: The local factory owner perspective’ (2023) *Human Relations* 1.

<sup>30</sup> Asan Vernyuy Wirba, ‘Corporate Social Responsibility (CSR): The Role of Government in Promoting CSR’ (2024) 15(2) *Journal of the Knowledge Economy* 7428, 7454; Li-Wen Lin, ‘Mandatory Corporate Social Responsibility Legislation Around the World: Emergent Varieties and National Experiences’ (2020) *University of Pennsylvania Journal of Business Law* 1, 40; Mallika Tamvada, ‘Corporate Social Responsibility and Accountability: A New Theoretical Foundation for Regulating CSR’ (2020) 5(1) *International Journal of Corporate Social Responsibility* 2.

direct trade with foreign brands, including Australia, and companies involved in transactions with foreign entities, including those from Australia. Additionally, the study aims to contrast the CSR regulatory frameworks between these two countries. A comparative study can elucidate the factors that contribute to the improved implementation of CSR activities by clothing organisations in developed countries compared to textile companies in developing countries. It can also explain how these businesses can exert influence on their supply chain companies to enhance CSR practices beyond those of local companies within the country. Therefore, the questions related to research study are:

1. What are the existing regulations and legal frameworks governing CSR activities in the Pakistani readymade garment (RMG) industry?
2. How do these regulations compare with the CSR regulatory frameworks in Australia?
3. What are the key differences and similarities between the enforcement mechanisms, penalties, and incentives for CSR compliance in Pakistan and Australia?
4. What are the practical challenges and roadblocks faced by Pakistani RMG organisations in adhering to CSR regulations?
5. How do collaboration and partnerships with Australian garment companies influence the CSR practices of Pakistani RMG organisations?
6. What strategies can be recommended to improve the implementation and effectiveness of CSR initiatives in the Pakistani RMG industry, considering the regulatory landscape and international CSR guidelines?

These questions led to the following sub-questions.

1. What constitutes CSR and how has the concept evolved over time?
2. How do RMG organisations in different industries implement CSR practices, and are there sector-specific variations?
3. What theoretical frameworks can be used to analyse and evaluate CSR activities in organisations?
4. What are the implications of non-compliance with CSR regulations, including potential penalties and criminal consequences?
5. How do international CSR guidelines and standards impact the Corporate Social Responsibility practices of RMG companies in Pakistan and Australia?

To answer the research question, it is necessary to analyse its history and how it developed over time. CSR and legal theories will also be discussed which are related to the performances of textile organisations in terms of CSR activities in Australia and Pakistan. The rules and regulations and RMG organisations' CSR activities will be compared between Pakistan and Australia which will allow this study to present the similarities and/or the differences that will show how those companies in these two countries practice CSR. Importantly this thesis will investigate what laws and legal requirements have been promulgated to promote their CSR activities.

The objectives of this research are to:

- Critically evaluate Corporate Social Responsibilities and its theoretical perspectives.
- Compare RMG companies' practices of CSR activities and legal obligations in Australia and Pakistan.
- Recommend the appropriate guidelines or legislation in Australia and Pakistan to encourage RMG organisations to practice CSR activities more effectively.

## 1.5 Research Method

This study adopts a mixed-method research approach, combining elements of subjectivism and objectivism<sup>31</sup> to comprehensively investigate corporate social responsibility (CSR) practices and related legal frameworks in the context of the textile industries in Australia and Pakistan. The rationale for this mixed-method approach stems from the recognition that CSR phenomena encompass both tangible realities, such as organisational practices, and intangible aspects, such as societal perceptions and values<sup>32</sup>.

The qualitative component of this research involves a thorough exploration of existing CSR theories and practical concepts, aiming to develop a nuanced understanding of CSR activities within the textile industries of both countries. This qualitative inquiry also evaluates the current CSR laws and guidelines in Australia and Pakistan<sup>33</sup>.

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<sup>31</sup> Barry Cooper et al, *Challenging the Qualitative and Quantitative Divide Explorations in Case-Focused Casual Analysis* (Continuum International Publishing Group 2012), 6.

<sup>32</sup> Mark Saunders, Philip Lewis and Adrian Thornhill, *Research Methods for Business Students* (Pearson Education Limited, 8<sup>th</sup> ed, 2019) 130.

<sup>33</sup> Rhona Smith and Lorna Smith, 'Qualitative Methods' in Lee McConnell and Rhona Smith (eds) *Research Methods in Human Rights* (Routledge, 2018) 70.

Complementing the qualitative analysis, the quantitative aspect of the study entails the systematic examination of primary and secondary data sources. Primary data were collected through structured interview method by using both open and closed-ended questionnaire. Samples were from 11 RMG organisations in different parts of Pakistan. All the questions were used Likert scales. There were also options for adding any additional comments by the employees. Likert scales were analysed statistically, and comments were analysed qualitatively by descriptive analysis.

Secondary data such as annual reports and some accidental incidents in Pakistan were collected from companies' websites and newspapers. These data were analysed by using thematic analysis method. By employing both qualitative and quantitative methods, this research seeks to triangulate findings, thereby enhancing the validity and reliability of the results<sup>34</sup>.

Furthermore, this thesis employs a comparative legal research approach to elucidate the regulatory landscapes governing CSR in Australia and Pakistan<sup>35</sup>. By critically reviewing and comparing the legal frameworks of both countries<sup>36</sup>, this comparative analysis aims to identify challenges and opportunities for enhancing CSR practices within the textile industries.

Ultimately, the findings of this study will inform recommendations for refining existing guidelines or legislations in Australia and Pakistan to foster more effective CSR engagement among organisations operating in the textile sectors of these nations. Through this comprehensive approach, the research endeavours to contribute to the advancement of CSR practices and regulatory frameworks, thereby promoting sustainable business practices and societal well-being.

## **1.6 Significance of study**

This study offers a unique contribution to both the theoretical and practical understanding of Corporate Social Responsibility (CSR) practices and legal perspectives within the Ready-Made Garment (RMG) industry in Pakistan and

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<sup>34</sup> Emma Bell, Alan Bryman and Bill Harley, *Business Research Methods* (Oxford university press, 5<sup>th</sup> ed, 2018) 586.

<sup>35</sup> Mike McConville and Wing Hong Chui (eds), *Research Methods for Law*. (Edinburgh University Press, 2<sup>nd</sup> ed, 2017) 164.

<sup>36</sup> Edward Eberle, 'The Method and Role of Comparative Law' (2009) 8(3) *Washington University Global Studies Law Review* 451.

Australia. This study focuses on how CSR practices from companies in developed countries, like Australia, may influence CSR expectations and practices among suppliers in developing countries, including Pakistan. As global supply chains expand, Australian RMG companies and other Western brands increasingly seek suppliers who comply with CSR standards, due to heightened consumer and regulatory scrutiny. The RMG sector in Pakistan, as one of the country's primary industries, is significantly impacted by foreign clients who demand compliance with CSR standards<sup>37</sup>. As such, while not all Pakistani RMG companies serve only Australian clients, Australian companies are among those whose CSR expectations influence supplier practices in Pakistan. This relationship underscores how CSR expectations of foreign clients can shape suppliers' CSR policies to maintain business ties and stay competitive in the global market. Furthermore, Australian CSR practices serve as a benchmark that can guide Pakistani suppliers in understanding and meeting international standards.

To add context, Pakistan's textile industry comprises 517 textile units<sup>38</sup>, a large number of which cater to international clients from developed economies like the US, Europe, and Australia. Although Australian companies are not the only clients, the practices they mandate often represent the broader Western expectations for CSR. This dynamic highlights how CSR in one part of the world can indirectly drive changes in another, contributing to more ethical and sustainable business practices across global supply chains.

Given the limited existing comparative research on CSR practices between these countries, this study aims to bridge the gap, deepening insights into how CSR is perceived and implemented in varying regulatory contexts. By analysing the CSR activities of companies in Pakistan with and without international trade links, this study offers a comparative perspective that sheds light on the factors shaping CSR in developing versus developed economies.

### 1.6.1 Theoretical Contributions

**Comparative CSR Analysis:** This study adds to the literature on comparative CSR by examining Carroll's CSR Pyramid within the Pakistani and Australian contexts.

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<sup>37</sup> Tarekul Islam and Md Abdul Halim, 'Impact of Ready-Made Garments (RMG) Industries and Sustainability: Perspective of The Pandemic Period in Developing Country' (2022) 11 *Cleaner Engineering and Technology* 1.

<sup>38</sup> International Finance Corporation, World Bank Group, *Textile (Value Addition) Sector Profile Pakistan* (Report, 2022) 2 <Textiles Sector - FDI Value Proposition - Pakistan (invest.gov.pk)>.



Carroll's framework, which divides CSR into economic, legal, ethical, and philanthropic responsibilities<sup>39</sup>, has been widely used in developed countries but less so in emerging economies where regulatory enforcement may vary<sup>40</sup>. By applying this model to Pakistani companies, both domestically oriented and export-focused, this research highlights how international partnerships influence CSR adoption, thus extending Carroll's model to illustrate the unique factors shaping CSR in developing economies.

**CSR activities of different types of organisations in developing countries:** The study contributes to the understanding of CSR in global supply chains by exploring the influence that developed-country brands, such as those from Australia, exert on the CSR practices of their suppliers in Pakistan. This study also provides a clear idea of how local clothing organisations in Pakistan practice CSR differently from those companies in the country who trade with foreign companies including Australia. Previously, research has been conducted based on the CSR activities of textile organisations in Pakistan and Australia<sup>41</sup>. But they only assessed the CSR disclosure quality, and compared CSR activities and laws between Australia and Pakistan. One of the studies was simply focused on secondary data. The study recommended expanding the investigation of the issues with listed companies with the aim of providing more detailed knowledge of listed and non-listed organisations' CSR activities in Pakistan and what would be the appropriate law to assist the adoption of CSR practices. This study includes primary data from above two types of RMG organisations and recent incidents in the Pakistani RMG industry which will enrich the existing literature.

### 1.6.2 Practical Contributions

**Actionable insights for CSR policy and practice:** This research provides actionable recommendations for policymakers and industry leaders within the RMG industry. By illustrating how CSR practices differ between companies engaged with foreign markets and those operating domestically, this study highlights the role of trade

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<sup>39</sup> Sophia Kusyk, 'Carroll's CSR Pyramid: An Empirical Investigation of SME CSR Orientation' (2021) 26(1) *Journal of Leadership, Accountability and Ethics* 18.

<sup>40</sup> Rashid Zaman et al, 'Corporate Governance Meets Corporate Social Responsibility: Mapping the Interface' (2022) 61(3) *Business & Society* 690, 692.

<sup>41</sup> Faisal Faisal, 'Corporate Social Responsibility (CSR) Exploring Disclosure Quality in Australia and Pakistan: The Context of a Developed and Developing Country (PhD Thesis, University of Tasmania, 2021); Muhammad Usman Akbar, 'The Enhancement of Corporate Social Responsibilities in Pakistan (Master by Research Thesis, Victoria University, 2019).

relationships in enhancing CSR commitment. Such findings underscore the potential of using international partnerships to promote sustainable practices among local suppliers, providing a practical model for companies and policymakers looking to strengthen CSR.

**Guidance for industry stakeholders in Pakistan and Australia:** For practitioners in Pakistan's RMG sector, this study suggests that adopting CSR practices aligned with international standards may enhance market competitiveness, especially when partnering with global brands that prioritise responsible sourcing. In contrast, for Australian brands working with Pakistani suppliers, these findings offer guidance on how to engage their supply chains in consistent CSR practices. Research shows that developed-country brands can positively influence CSR practices by requiring transparency and accountability among suppliers, thus fostering a culture of corporate responsibility in the supply chain.

### 1.6.3 Contribution to Policy and Regulatory Debate

**Enhancing CSR regulatory frameworks:** This study provides insights into how the regulatory framework in Australia supports CSR practices and compliance, suggesting key lessons for Pakistan's evolving approach to CSR. Comparative research has demonstrated that while developed countries often enforce CSR through formal legislation, developing countries may rely on informal regulations and norms, making it challenging to establish consistent CSR practices<sup>42</sup>. This study's findings highlight aspects of Australia's CSR legislation that could inspire effective CSR policy reform in Pakistan, contributing to the academic and policy debate on CSR regulation in emerging economies.

**Recommendations for strengthening CSR enforcement:** By identifying regulatory gaps in Pakistan and contrasting them with Australia's approach, this research proposes practical measures for enhancing CSR enforcement within the Pakistani RMG sector. Research indicates that legal frameworks aligned with international CSR standards can reinforce accountability in industries reliant on global supply chains<sup>43</sup>. This study therefore offers a foundation for policymakers seeking to

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<sup>42</sup> M. Karim Sorour et al, 'Exploring the Evolving Motives Underlying Corporate Social Responsibility (CSR) Disclosures in Developing Countries: The Case of "Political CSR" Reporting' (2021) 34(5) *Accounting, Auditing & Accountability Journal* 1051, 1052.

<sup>43</sup> Mallika Tamvada, 'Corporate Social Responsibility and Accountability: A New Theoretical Foundation for Regulating CSR' (2020) 5(1) *International Journal of Corporate Social Responsibility* 1, 2.

bolster CSR enforcement in Pakistan, suggesting ways to incorporate international best practices for corporate responsibility.

In sum, this research significantly enhances the understanding of CSR in diverse regulatory and economic settings, providing a comparative analysis that elucidates how CSR practices in developing countries can benefit from alignment with developed-country standards. These findings contribute to CSR literature, offering a theoretical foundation for further research on CSR in global supply chains and providing actionable recommendations for policy and practice in the RMG industry.

## **1.7 Structure of the thesis**

This thesis is divided into eight chapters.

Chapter One introduces the research by providing the research background, aim, objectives, and questions. It also indicates the significance of the study.

Chapter Two presents a review of the literature on the conceptual analysis of Corporate Social Responsibilities. It discusses the history, definition, and different theories of CSR.

Chapter three discusses the CSR function of businesses in selected countries Pakistan and Australia. This section also describes the legal structure and guidelines for the organisations in these two countries.

Chapter four contains the theoretical framework of the study. The following four propositions were developed in this chapter based on Carroll's Pyramid model:

*P1: Australian businesses have no significant effects on Pakistani RMG organisations for being profitable.*

*P2: Textile company compliance between Australian and Pakistani RMG organisations has positive impacts on the legal responsibilities of Pakistani organisations.*

*P3: Textile compliance between Australian and Pakistani RMG organisations has a significant effect on Pakistani companies' ethical responsibilities.*

*P4: Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities.*

Chapter five presents the research methodology and the design. This chapter is organised with a few main topics namely: the research philosophy, research approach, research design and strategy, sampling method, data collection and analysis method, research reliability and validity followed by the research ethics, ethical issues and considerations.

Chapter Six presents the findings and analysis of primary data collected from the Pakistani readymade garment industry.

Chapter Seven analyses secondary data. International CSR guidelines and annual reports were compared followed by case study analysis.

Chapter Eight concludes the study by reviewing the aims and objectives of the research and provides a conclusion from the study. This chapter outlines the contribution to the field of CSR related to the RMG industry of Pakistan and Australia. It also elaborates the limitations of the current study and guidelines for future research.

# Chapter 2: History and Definition of CSR

## 2.1 Introduction

Corporate Social Responsibility or CSR has been a major topic of discussion in business and academic studies in the last few years. While scholars and economists continue to debate the various aspects of corporate social responsibility (CSR), businesses worldwide are coming under growing pressure to become more socially aware and involved participants in their local and worldwide communities. This research aims to enhance understanding of CSR, thereby facilitating the development of CSR activities within organisations. Thus, section 2.2 of this chapter concentrates on the conceptual analysis of CSR. It discusses the history of CSR in section 2.3, its definitions in 2.4 followed by theories and approaches to the operationalization of CSR practices in section 2.5. Section 2.6 discusses how diverse countries have adopted varying approaches to implementing CSR, reflecting the global application of these principles. Finally, Section 2.7 discusses CSR activities of various clothing companies worldwide, offering insights into the diverse approaches adopted by different countries in practicing CSR. While the primary focus remains on Pakistan and Australia, this section also provides a brief overview of CSR practices in other countries to contextualize the global landscape of corporate social responsibility.

## 2.2 Corporate Social Responsibility

CSR (Corporate social responsibility) is concerned with an organisation's operational ethics and how it operates in a long-term sustainable manner. These two elements are complicatedly related since a company will eventually fail if it damages the systems it depends on<sup>44</sup>.

Organisations persist in their commitment to CSR as they acknowledge the influence of their actions on society, the environment, the economy, and the effectiveness of their own employees. Value creation takes into account factors other than money. In fact, the global economic crisis, as well as a number of environmental and other moral corporate disasters, are largely attributable to the traditional shareholder value approach to business and the short-termism that frequently accompanies it.

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<sup>44</sup> Marcel Van Marrewijk, 'Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion' (2023) 44(2) *Journal of Business Ethics* 95, 96.

Undertaking CSR entails carefully examining an organisation and all of its stakeholders in order to maximise the good effects of operations while minimising any harmful influences<sup>45</sup>.

Protection of the environment and responsibility, civilised employee treatment, cause-related marketing, and philanthropic work are all examples of CSR. Despite of the domain, CSR initiatives focus on creating an image of a company that is aware of and responsive to societal needs. CSR actions can have an impact on corporate outcomes by influencing corporate and brand appraisals, reputation, and customer identification<sup>46</sup>.

In the following section, this study discusses a brief history of corporate social responsibility before defining it.

## **2.3 History of Corporate Social Responsibility**

The history of Corporate Social Responsibility (CSR) spans several centuries and has evolved in response to changing societal expectations, economic developments, and ethical considerations.

The historical roots of the social dimension in corporate conduct can be traced back to ancient Roman Laws, evident in establishments like asylums, residences for the impoverished and elderly, hospitals, and orphanages<sup>47</sup>. This concept of corporations functioning as social entities persisted through English Law in the Middle Ages within academic, municipal, and religious institutions. Subsequently, in the sixteenth and seventeenth centuries, the influence of the English Crown further extended this perspective, viewing corporations as instruments for social development. As the English Empire expanded and acquired new territories in the following centuries, its corporate law was exported to American colonies, where corporations served a social

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<sup>45</sup> Mai Ngoc Khuong et al, 'Stakeholders and Corporate Social Responsibility (CSR) Programme as Key Sustainable Development Strategies to Promote Corporate Reputation—Evidence from Vietnam' (2021) 8(1) *Cogent Business & Management* 1, 4.

<sup>46</sup> Gregor Pfajfar et al, 'Value of Corporate Social Responsibility for Multiple Stakeholders and Social Impact—Relationship Marketing Perspective' (2022) 143(1) *Journal of Business Research* 46, 47.

<sup>47</sup> Eric Chaffee, 'The Origins of Corporate Social Responsibility' (2017) 85 *University of Cincinnati Law Review* 347, 357.

function to a certain extent<sup>48</sup>. Concept of CSR came through different perspectives and stages.:

### **2.3.1 Social Transformation and Philanthropy in the 18th and 19th Centuries**

During the 18<sup>th</sup> and 19<sup>th</sup> centuries, Christian religious philosophy responded to societal moral challenges, mainly the widespread poverty in Europe and the English Empire. This resulted in significant social reforms and the emergence of Victorian philanthropy, addressing issues such as ignorance, poverty, child labour and female labour. Rooted in religious ideals, Victorian philanthropists exhibited a high level of idealism and humanism<sup>49</sup>.

Efforts in the late 1800s focused on the working class, resulting in the creation of welfare schemes with practical examples in both Europe and the USA. Notable initiatives included the establishment of the Young Men's Christian Association (YMCA) in 1844, originating in London with the target of applying Christian values to contemporary business activities, a concept that quickly spread to the USA<sup>50</sup>. Additionally, companies adopted a paternalistic approach in the late 1800s and early 1900s, aiming to safeguard employees and enhance their quality of life. Examples include Macy's in the USA contributing funds to an orphan asylum in 1875, and the Pullman Palace Car Company establishing a model industrial community in 1893 to improve the well-being of its employees<sup>51</sup>.

This era also witnessed a significant surge in urbanisation and industrialisation, characterised by large-scale production. This transformation presented challenges for farmers and small businesses adapting to the interdependent economy. Simultaneously, the formation of workers' unions sought improved working conditions, and a concerned middle class expressed fears about the erosion of religious and family values in the evolving industrial society<sup>52</sup>.

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<sup>48</sup> Mauricio Andrés Latapí Audelo, Lára Jóhannsdóttir and Brynhildur Davídsdóttir, 'A Literature Review of the History and Evolution of Corporate Social Responsibility' (2019)4 (1) *International Journal of Corporate Social Responsibility* 1, 3.

<sup>49</sup> Eric Chaffee, 'The Origins of Corporate Social Responsibility' (2017) 85 *University of Cincinnati Law Review* 347.

<sup>50</sup> Morrell Heald, *The social responsibilities of business: Company and community, 1900-1960* (Routledge, 2018) 20.

<sup>51</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 3.

<sup>52</sup> Archie B. Carroll, 'A History of Corporate Social Responsibility: Concepts and Practices' in Andrew Crane et al (eds), *The Oxford Handbook of Corporate Social Responsibility* (Oxford Handbooks Online, 2008) 1, 2.

Thus, the 18th and 19th centuries were marked by a transformative period driven by Christian religious responses to societal challenges<sup>53</sup>. This era not only saw the emergence of philanthropy but also witnessed the development of welfare schemes and initiatives aimed at improving the quality of life for the working class. The intertwining of religious ideals, idealism, and humanism shaped the philanthropic landscape, creating a legacy that influenced both Europe and the USA. The challenges posed by urbanisation, industrialisation, and evolving social values added complexity to this period, setting the stage for further societal changes in subsequent decades<sup>54</sup>.

### **2.3.2 Corporate Social Responsibility in the Early 20<sup>th</sup> Century**

In response to societal challenges, business leaders formed organisations promoting values and improved working conditions. The Civic Federation of Chicago, rooted in religious and economic principles, exemplifies this civic pride<sup>55</sup>.

During the 1920s and 1930s, business managers assumed a role as trustees, balancing profit and community needs<sup>56</sup>. This shift marked the adoption of social and economic responsibilities by corporations. World War II's expansion further cast businesses as entities with social obligations, sparking broader discussions seen in works like "The Functions of the Executive" by Barnard in 1938<sup>57</sup> and "The Social Control of Business" by Clark in 1939<sup>58</sup>.

This period witnessed a pivotal transition as corporations, acknowledging their role in society, grappled with balancing economic objectives and social responsibilities. Early debates set the stage for the evolving perspective of Corporate Social Responsibility in the mid-20<sup>th</sup> century.

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<sup>53</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 4.

<sup>54</sup> Daniel A. Wren and Arthur G. Bedeian, *The Evolution of Management Thought* (John Wiley & Sons, 9<sup>th</sup> ed, 2023) 99.

<sup>55</sup> Heald (n 29) 35.

<sup>56</sup> Carroll (n 31) 19.

<sup>57</sup> Chester I Barnard, *The Functions of the Executive: Thirtieth Anniversary Edition* (Harvard University Press, 1968) 215.

<sup>58</sup> Horace M Gray, 'Clark, John M. Social Control of Business. 2nd Ed. Pp. Xvi, 537. New York: McGraw-Hill Book Co., 1939. \$4.00 School Ed.; \$5.00 Trade Ed' (1939) 205(1) *The ANNALS of the American Academy of Political and Social Science* 164.



### **2.3.2.1 Emergence of CSR Framework in the 1950s**

In the early 1950s, a deliberate effort was made to define Corporate Social Responsibility (CSR), marking the inception of a contemporary conceptual framework. Bowen's influential work in 1953 emphasized the tangible societal impact of corporations, laying the groundwork for a transformative shift in decision-making<sup>59</sup>.

### **2.3.2.2 Bowen's Visionary Approach and Early CSR Definitions**

Bowen (1953) proposed a specific set of principles for corporations to fulfil social obligations, envisioning a direct impact on stakeholders and society's overall quality of life<sup>60</sup>. Carroll (2008) highlights Bowen's visionary management approach, earning him the title of the "Father of Corporate Social Responsibility".<sup>61</sup>

### **2.3.2.3 CSR in the 1960s: Societal Awareness and Movements**

The 1960s witnessed a surge in CSR interest, driven by societal awareness and concurrent movements, notably in the United States. The era was marked by concerns about population expansion, environmental pollution, and movements advocating for environmental and human rights<sup>62</sup>.

### **2.3.2.4 CSR in the 1960s: Protest Culture and Business Perception**

A shifting social landscape in the 1960s saw the rise of civil rights and anti-war protests. Business corporations, perceived as part of the "establishment," faced pressure to change, exemplified by protests, against entities like Dow Chemical Company<sup>63</sup>.

### **2.3.2.5 Scholars' Response to 1960s Challenges**

Scholars in 1960, including Keith Davis responded to the challenges of the 1960s, emphasizing the need for businessmen to reassess societal roles and responsibilities. Davis linked social responsibility with economic returns, asserting alignment with social power<sup>64</sup>.

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<sup>59</sup> Staff Writer, 'A Brief History of Corporate Social Responsibility (CSR)', *THOMAS NET* (Online, 25 September 2019) <<https://www.thomasnet.com/insights/history-of-corporate-social-responsibility/>>.

<sup>60</sup> Howard R Bowen, *Social Responsibilities of the Businessman* (University of Iowa Press, 2013) 54.

<sup>61</sup> Carroll (n 31) 1.

<sup>62</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 3.

<sup>63</sup> Benjamin C Waterhouse, 'The Personal, The Political and, the Profitable: Business and Protest Culture, 1960s-1980s' (2017) 14 *Financial History* 121.

<sup>64</sup> Keith Davis, 'The Case for and Against Business Assumption of Social Responsibilities' (1973) 16(2) *Academy of Management journal* 312, 322.

### **2.3.2.6 Influential Contributors and Broadening Perspectives**

In the mid-20<sup>th</sup> century, influential contributors like Frederick, McGuire, and Walton played key roles. Frederick proposed a new theory of business responsibility, while McGuire emphasized the importance of corporations engaging in politics and social welfare. Walton recognized corporations as potential contributors to societal improvement<sup>65</sup>.

### **2.3.2.7 Scepticism and Counterargument by Friedman**

Despite growing interest in CSR, scepticism persisted, notably articulated by Milton Friedman in 1962. Friedman argued for firms to confine themselves to pursuing economic benefits, critiquing CSR activities as inappropriate resource allocation<sup>66</sup>.

The evolution of CSR from the 1950s to the 1960s reflects a dynamic interplay between academic exploration, societal challenges, and corporate responses. The period marked the establishment of foundational CSR principles, visionary contributions, and societal pressures pushing corporations to align with evolving social expectations<sup>67</sup>.

### **2.3.2.8 The Late 1960s Social Context and Earth Day Movement**

The late 1960s were marked by anti-war sentiment and a societal shift in confidence towards businesses<sup>68</sup>. The Santa Barbara oil spill in 1969 triggered massive protests, leading to the first Earth Day in 1970, with 20 million people demanding a clean environment. This influenced the creation of the Environmental Protection Agency (EPA) and a new regulatory framework<sup>69</sup>.

### **2.3.2.9 Social and Environmental Regulations Amidst 1970 Recession**

In 1970, the USA faced a recession with high inflation and low growth, coupled with an energy crisis<sup>70</sup>. Social movements prompted the government to enact significant regulations, including the establishment of the EPA, Consumer Product Safety Commission (CPSC), Equal Employment Opportunity Commission (EEOC), and

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<sup>65</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 4.

<sup>66</sup> Milton Friedman and Rose D. Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1982) 7.

<sup>67</sup> Benjamin C. Waterhouse, 'The Personal, The Political and, The Profitable: Business and Protest Culture, 1960s-1980s' (2017) 121(1) *Financial History* 14, 15.

<sup>68</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 4.

<sup>69</sup> EARTHDAY.ORG, 'The History of Earth Day - Earth Day' *Earth Day* (January 23, 2024) <<https://www.earthday.org/history/>>.

<sup>70</sup> Waterhouse (n 46) 14.

Occupational Safety and Health Administration (OSHA). The Committee for Economic Development (CED) publications explored justifications for corporate involvement in social issues, reflecting evolving social expectations<sup>71</sup>.

#### **2.3.2.10 The Club of Rome's "Limits to Growth" Report**

The Club of Rome's 1972 report, "The Limits to Growth," questioned the sustainability of continued economic growth, emphasizing the impact of population growth, resource depletion, and pollution. The report underscored the need for responsible business practices and regulatory frameworks to address ecological concerns<sup>72</sup>.

#### **2.3.2.11 Emergence of Renowned Socially Responsible Companies**

During the 1970s, notable companies, like the Body Shop (1976, UK) and Ben & Jerry's (1978, USA), emerged as pioneers of social responsibility. These companies, responding to societal expectations and regulatory changes, formalized policies addressing public issues. Carroll (2015) characterized the 1970s as an era of "managing corporate social responsibility."<sup>73</sup>

#### **2.3.2.12 Ambiguity in CSR Definitions During the 1970s**

The 1970s witnessed an increased use of the title CSR (Corporate Social Responsibility) with varied interpretations. In 1975 Scholars like Preston and Post emphasized limited responsibilities within clear boundaries<sup>74</sup>, while Sethi (1975) argued for coherence with social norms<sup>75</sup>. Carroll (1979) recommended a combined definition, asserting that CSR contains economic, legal, ethical, and discretionary expectations at a given time<sup>76</sup>.

#### **2.3.2.13 Carroll's Unified Definition and Business Framework**

Carroll's (1979) definition of CSR, inspired by societal movements and legislation, became a landmark<sup>77</sup>. It viewed economic and social objectives as integral components of total social responsibility, providing a clear and concise

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<sup>71</sup> Archie B Carroll, 'Corporate Social Responsibility: The Centerpiece of Competing and Complementary Frameworks' (2015) 44(2) *Organizational Dynamics* 87.

<sup>72</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 6.

<sup>73</sup> Carroll (n 50) 88.

<sup>74</sup> Lee E Preston and James E Post, 'Private Management and Public Policy' (1981) 23(3) *California Management Review* 56.

<sup>75</sup> S. Prakash Sethi, 'Dimensions of Corporate Social Performance: An Analytical Framework' (1975) 17(3) *California Management Review* 58.

<sup>76</sup> Archie B Carroll, 'A Three-Dimensional Conceptual Model of Corporate Performance' (1997) 4(4) *Academy of management review* 497, 505.

<sup>77</sup> Ibid 500.

conceptualisation applicable under any context. This marked a shift towards a unified understanding of CSR.

#### **2.3.2.14 Transition to the 1980s: Implementation of CSR**

The 1970s laid the groundwork for the discussion on the implementation of CSR. Influenced by social movements and legislations, academic publications guided companies on how to comply with new responsibilities covering environmental aspects, product safety, and labour rights<sup>78</sup>. This paved the way for the CSR discussions and practices of the 1980s.

#### **2.3.2.15 Legislative Changes in the 1970s and Shift in 1980s Political Landscape**

In the 1970s, legislations expanded corporate responsibilities in response to societal concerns. However, the 1980s, marked by Reagan and Thatcher administrations, saw a political shift toward reducing corporate pressure and state intervention, emphasizing a free-market environment<sup>79</sup>.

#### **2.3.2.16 Reduced Regulations and the Need for CSR Operationalization**

With reduced regulations, managers faced the challenge of meeting social expectations amid changing interest groups. Scholars explored business ethics and operationalizing CSR as responses to stakeholders<sup>80</sup>. Alternative concepts like corporate social performance, corporate social responsiveness, and stakeholder theory emerged such as, Jones' Contribution and Operationalization in the 1980s: In 1980, Thomas M. Jones pioneered viewing CSR as a decision-making process influencing corporate behaviour<sup>81</sup>. This shifted the debate toward operationalizing CSR. Notable frameworks and models emerged, including Tuzzolino and Armandi's need-hierarchy framework<sup>82</sup>, Strand's systems model<sup>83</sup>, Cochran and Wood's CSR-

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<sup>78</sup> Carroll (n 31) 1.

<sup>79</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 6.

<sup>80</sup> Carroll (n 31) 1.

<sup>81</sup> Thomas M Jones, 'Corporate Social Responsibility Revisited, Redefined' (1980) 22(3) *California Management Review* 59, 67.

<sup>82</sup> Frank Tuzzolino and Barry R. Armandi, 'A Need-Hierarchy Framework for Assessing Corporate Social Responsibility' (1981) 6(1) *Academy of management review* 21.

<sup>83</sup> Rich Strand, 'A Systems Paradigm of Organizational Adaptations to the Social Environment' (1983) 8(1) *Academy of Management Review* 90.

financial performance relation exploration<sup>84</sup>, and Wartick and Cochran's reorganisation of Carroll's CSR framework<sup>85</sup>.

### **2.3.2.17 Societal Concerns and Events Shaping Operationalization**

The 1980s reflected new societal concerns, evident in events like the Chernobyl disaster, the Brundtland Commission's definition of sustainable development, the UN's Montreal Protocol adoption, and the establishment of the IPCC<sup>86</sup>. Although not directly linked to CSR, these events signalled a growing global awareness of environmental protection and sustainable development, indirectly influencing corporate behaviour.

### **2.3.2.18 Evolving Societal Concerns and Expectations in the 1980s**

Carroll identified key societal concerns in the 1980s, including environmental contamination, discrimination in the workplace, mistreatment of customers, worker health and safety, and standard of living at work, urban deterioration, and multinational corporation practices. Scholars, responding to this context, explored alternative themes such as business ethics and stakeholder management<sup>87</sup>.

The 1980s witnessed a transformation in societal concerns and expectations, influencing scholars to explore alternative themes beyond traditional CSR. The emergence of business ethics and stakeholder management became integral to the broader discussion around corporate behaviour during this period.

### **2.3.2.19 International Events Shaping CSR in the 1990s**

The 1990s witnessed significant international events that influenced perspectives on social responsibility and sustainable development. The creation of the European Environment Agency (1990), the UN summit in Rio de Janeiro leading to the Rio Declaration, Agenda 21, and the UNFCCC (1992), along with the adoption of the Kyoto Protocol (1997), established higher standards for climate-related issues and indirectly impacted corporate behaviour<sup>88</sup>.

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<sup>84</sup> Philip L. Cochran and Robert A. Wood, 'Corporate Social Responsibility and Financial Performance' (1984) 27(1) *Academy of Management Journal* 42.

<sup>85</sup> Steven L. Wartick and Philip L. Cochran, 'The Evolution of The Corporate Social Performance Model' (1985) 10(4) *Academy of Management Review* 758, 759.

<sup>86</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 7.

<sup>87</sup> Carroll (n 31) 1.

<sup>88</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 7.

### 2.3.2.20 Globalization and the Rise of CSR in the 1990s

Globalization in the 1990s, marked by increased operations of multinational corporations, led to a surge in interest in CSR. Multinational corporations recognized CSR as a strategic tool to navigate diverse business environments abroad, balancing challenges and opportunities. The institutionalization of CSR strengthened during this period, exemplified by the foundation of Business for Social Responsibility (BSR) in 1992<sup>89</sup>. The European Commission (EC) played a crucial role in promoting CSR. The European Business Declaration against Social Exclusion in 1995 prompted the formation of CSR Europe in 1996. Despite the institutionalization of CSR, the concept itself did not evolve significantly during the 1990s<sup>90</sup>. Key Contributions to CSR in the 1990s

- **Donna J. Wood's Model of Corporate Social Performance (CSP) (1991):** Wood's comprehensive model integrated conceptual aspects into a unified theory, offering a broader view of CSR, emphasizing outcomes and performance of firms<sup>91</sup>.
- **Carroll's Pyramid of Corporate Social Responsibility (1991):** Carroll presented a pyramid representing a company's four main responsibilities: economic, legal, ethical, and philanthropic. He introduced the idea of a firm as a good corporate citizen<sup>92</sup>.
- **Burke and Logsdon's Strategic Approach to CSR (1996):** The duo explored the strategic implementation of CSR, identifying five dimensions crucial for achieving business objectives and creating value. They emphasized the economic benefits of strategic CSR<sup>93</sup>.
- **Elkington's Triple Bottom Line (1994):** Elkington introduced the concept of balancing a company's social, environmental, and economic impact. It

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<sup>89</sup> 'Our Story | Sustainable Business Network and Consultancy | BSR' <<https://www.bsr.org/en/about/story>>.

<sup>90</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 7.

<sup>91</sup> Donna J Wood, 'Corporate Social Performance Revisited' (1991) 16(4) *Academy of management review* 691, 718.

<sup>92</sup> Archie B Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(4) *Business Horizons* 39, 48.

<sup>93</sup> Lee Burke and Jeanne M. Logsdon, 'How Corporate Social Responsibility Pays off' (1996) 29(4) *Long Range Planning* 502, 502.

emphasized sustainability and effective partnerships for outstanding triple bottom line performance<sup>94</sup>.

### **2.3.2.21 Emerging Themes and Uncertainties in CSR Definition**

The globalization process led to the emergence of alternative themes such as stakeholder theory, corporate social performance, and corporate citizenship. These themes, while consistent with existing CSR definitions, contributed to an uncertainty in defining CSR<sup>95</sup>. By the end of the 1990s, there was a lack of a globally accepted definition, accompanied by a push for companies to become good corporate citizens.

The 1990s marked a transformative period in CSR influenced by international events, globalization, and institutionalization efforts. Notable contributions and emerging themes reshaped the understanding of CSR, creating an imperative for companies to navigate the evolving global landscape and strive towards becoming good corporate citizens.

### **2.3.3 Global Recognition and Expansion of CSR after 2000**

*Recognition of CSR on the Global Stage:* The 2000s commenced with global recognition of CSR, notably catalysed by the United Nations Global Compact (UNGC) launched in 2000<sup>96</sup>. The UNGC, proposed by Kofi Annan, set universal values for corporate behaviour, defining ten principles covering human rights, labour, environment, and anti-corruption. Additionally, the United Nations adopted the Millennium Declaration in 2000, further contributing to the global recognition of CSR<sup>97</sup>.

*European Embrace of CSR:* The European Commission (EC) played a pivotal role in promoting CSR. Starting with the Green Paper in 2001 and leading to the European Strategy on CSR in 2002, the EC sought to integrate CSR into the broader context of international initiatives like the UNGC. The EC organized conferences and launched campaigns, culminating in the “European Roadmap for Businesses” in 2005, outlining European objectives for CSR<sup>98</sup>.

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<sup>94</sup> John Elkington, ‘Partnerships from Cannibals with Forks: The triple bottom line of 21st-century business’ (1998) 8(1) *Environmental quality management* 37, 51.

<sup>95</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 7.

<sup>96</sup> ‘Uniting Business for a Better World | UN Global Compact’ <<https://unglobalcompact.org/take-action/20th-anniversary-campaign>>.

<sup>97</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 9.

<sup>98</sup> Press Corner, *European Commission - European Commission* <[http://europa.eu/rapid/press-release\\_20MEMO-11-730\\_en.htm](http://europa.eu/rapid/press-release_20MEMO-11-730_en.htm)>.

### 2.3.3.1 Academic Publications and Strategic Approach to CSR

*European Commission's CSR Initiatives:* Between 2001 and 2004, the EC conducted conferences to discuss CSR, resulting in its inclusion as a strategic element in the Plan of the General Direction of Business. The "European Roadmap for Businesses" in 2005 solidified European objectives for CSR. Subsequent publications, such as the renewed EU strategy for CSR in 2011 and the public consultation in 2014, demonstrated ongoing commitment to CSR<sup>99</sup>.

*Multi-Stakeholder Engagement and Manifesto (2014-2015):* The EC's multi-stakeholder forum on CSR in 2015 emphasized the continued importance of CSR. CSR Europe's Enterprise 2020 Manifesto, launched in 2015, responded to the EU Strategy on CSR and the United Nations Sustainable Development Goals<sup>100</sup>. This strategy focused on creating value for stakeholders by addressing societal impact, engaging members, maintaining financial stability, fostering employee involvement, and assessing environmental impact.

### 2.3.3.2 International Standards and Certifications

*ISO 26000 Certification:* The International Organization for Standardization (ISO) played a crucial role in advancing CSR with the development of ISO 26000 – Social Responsibility. Proposed in 2002, ISO 26000 was developed over five years by experts from 99 countries and 40 international organisations. Approved in 2010, it serves as a global guideline for socially responsible business operations and has been adopted by over 80 countries<sup>101</sup>.

The first half of the 2000s witnessed the global recognition and expansion of CSR, fuelled by international initiatives such as the UNGC and European Commission strategies. Academic publications, multi-stakeholder engagements, and the emergence of international standards like ISO 26000 contributed to a more strategic approach to CSR. The evolving global landscape indicated a shift towards embedding social responsibility in business practices, underlining the importance of CSR in the broader context of sustainability and international cooperation.

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<sup>99</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 10.

<sup>100</sup> Irina Lock and Peter Seele, 'The Credibility of CSR (Corporate Social Responsibility) Reports in Europe. Evidence from a Quantitative Content Analysis in 11 Countries' (2016) 122(1) *Journal of Cleaner production* 186.

<sup>101</sup> Editor, 'History of ISO 26000 - ISO 26000', *ISO 26000* (June 15, 2022) <<http://iso26000.info/history/>>.



### 2.3.3.3 Evolution of CSR Definitions

*Expanding Scope of Social Responsibility:* In the early 2000s, academic contributions reshaped the definition of Corporate Social Responsibility (CSR), emphasizing a broader set of stakeholders and acknowledging obligations beyond legal requirements. Craig Smith<sup>102</sup> posited that corporate policies were evolving to have positive social impacts, and a new definition emerged, underscoring the firm's obligations to stakeholders beyond shareholders<sup>103</sup>. This definition marked a shift toward a more inclusive and socially oriented perspective within the business framework.

*Strategic Integration of CSR:* Geoffrey Lantos linked CSR to strategic considerations, proposing that companies should be responsive to society's long-term needs and wants as part of a social contract<sup>104</sup>. This notion marked the first explicit connection of the term "strategic" to CSR. Lantos's work laid the foundation for the integration of strategic traits into CSR, leading to the emergence of the term "Strategic Corporate Social Responsibility" (SCSR) in subsequent literature.

*Stakeholder Theory and Corporate Sustainability:* Freeman in 2001 and in the next year 2002 Friedman and Miles expanded stakeholder theory, reinforcing the idea that corporations should be managed in the interest of a broader set of stakeholders<sup>105</sup>. This perspective contributed to the evolving understanding of CSR by emphasizing the dynamic relationship between corporations and stakeholders. Marrewijk in 2003, presented Corporate Sustainability as a strategic response to societal challenges, suggesting varying levels of CSR integration into a company's structure<sup>106</sup>.

### 2.3.3.4 Emergence of Strategic CSR

*Strategic Necessity and Legitimacy:* Werther and Chandler introduced the concept of SCSR in 2005, emphasizing its transformation from a minimal commitment to a

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<sup>102</sup> Smith N. Craig, 'Changes in Corporate Practices in Response to Public Interest Advocacy and Actions: The Role of Consumer Boycotts and Socially Responsible Corporate Social Responsibility', *London Business School Centre for Marketing Working Paper* (Online, 05 September 2023) 68 <<https://lbsresearch.london.edu/id/eprint/3107/>>.

<sup>103</sup> Ibid.

<sup>104</sup> Geoffrey P Lantos, 'The Boundaries of Strategic Corporate Social Responsibility' (2001) 18(7) *Journal of Consumer Marketing* 595, 632.

<sup>105</sup> R. Edward Freeman, 'A Stakeholder Theory of the Modern Corporation' (2001) 3(144) *Perspectives in Business Ethics* 38, 48; Andrew L Friedman and Samantha Miles, 'Developing Stakeholder Theory' (2002) 39(1) *Journal of Management Studies* 1, 21.

<sup>106</sup> Marcel Van Marrewijk, 'Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion' (2003) 44 *Journal of Business Ethics* 95, 105.

strategic necessity<sup>107</sup>. They highlighted the need for a genuine commitment to change and self-analysis, asserting that SCSR must be a top-down approach for sustainable competitive advantage. This work established CSR as integral to brand management, making it indispensable for corporations.

*Creating Shared Value:* Porter and Kramer presented a holistic approach to SCSR, asserting that corporations could achieve a competitive advantage by creating shared value<sup>108</sup>. Their work urged companies to map the social impact of their value chain and consider societal effects in their business strategies. This marked a departure from limited, goal-oriented perspectives, positioning SCSR as a holistic business framework.

*Strategic Dimensions of CSR for Value Creation:* In 2007, Husted and Allen surveyed Spain's largest firms, defining SCSR as the company's ability to provide a coherent focus to resources, anticipate competitors, build reputation advantage, and ensure that added value goes to the firm<sup>109</sup>. They identified visibility, appropriability, and voluntarism as key strategic dimensions for value creation. Their findings emphasized the role of SCSR in generating new opportunities and responding to social demands.

### **2.3.3.5 Common Principles and Shared Value**

*Common Principles of Effective SCSR Practices:* In 2008, Heslin and Ochoa argued that SCSR practices, while diverse, followed common principles<sup>110</sup>. After analysing 21 exemplary CSR practices, they identified seven key principles: nurturing talent, exploring new markets, safeguarding labour welfare, minimizing environmental impact, capitalizing on by-products, engaging customers, and making the supply chain more sustainable. These principles showcased the potential of SCSR for creating shared value and improving business opportunities.

The academic literature of the 2000s witnessed a paradigm shift, marking the evolution of CSR into a strategic imperative. Definitions broadened to encompass diverse stakeholders, and the term "strategic" became inherent to CSR, culminating in the

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<sup>107</sup> Werther Jr, William B. and David Chandler, 'Strategic Corporate Social Responsibility as Global Brand Insurance' (2005) 48(4) *Business Horizons* 317-324, 317.

<sup>108</sup> Maria Roszkowska-Menkes and C. S. R. Strategic, 'Porter and Kramer's (2006) "Shared Value"' (2021) *Encyclopedia of Sustainable Management* 1, 3.

<sup>109</sup> Bryan W. Husted and David B. Allen, 'Strategic Corporate Social Responsibility and Value Creation Among Large Firms: Lessons from the Spanish experience' (2007) 40(6) *Long Range Planning* 594-610, 610.

<sup>110</sup> Peter A. Heslin and Jenna D. Ochoa, 'Understanding and Developing Strategic Corporate Social Responsibility' (2008) 37 *Organizational Dynamics* 125, 144.

emergence of SCSR. Concepts like shared value, societal impact mapping, and common principles underscored the integration of CSR into strategic business decisions, emphasizing its role in both societal benefit and competitive advantage.

### **2.3.3.6 Creating Shared Value**

*Porter and Kramer's CSV Framework:* Very earlier of 2011, Porter and Kramer expanded on the concept of creating shared value (CSV), defining it as policies and practices that enhance a company's competitiveness while simultaneously advancing economic and social conditions in the communities where it operates<sup>111</sup>. They argued that traditional business strategies often overlooked broader factors, and CSV should replace Corporate Social Responsibility (CSR). The focus shifted toward identifying connections between societal and economic progress.

*CSV and Redefining Corporate Purpose:* Porter and Kramer challenged the conventional view of CSR, positioning CSV as a necessary evolution in business strategy<sup>112</sup>. They asserted that the purpose of a corporation should be redefined as creating shared value, emphasizing the identification of societal needs and the benefits or harms embodied by a business. CSV's main objectives include reconceiving products and markets, redefining productivity in the value chain, and creating supportive industry clusters.

*Third Generation of CSR - Reflection in Business Activities:* Leila Trapp introduced the concept of the third generation of CSR in 2012, emphasizing corporations reflecting concerns about social and global issues in their activities<sup>113</sup>. This generation moves beyond the philanthropic responsibilities of companies and aligns with Marrewijk's<sup>114</sup> perspective on CSR as a strategic response to societal challenges. Trapp exemplified this through a case study of Vattenfall, demonstrating how CSR can address global issues while aligning with business objectives.

### **2.3.3.7 Sustainable Value Creation**

*SCSR's Potential for Sustainable Value:* In 2013, Chandler and Werther acknowledged the significance of creating shared value in their book on Strategic

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<sup>111</sup> Michael E Porter and Mark R Kramer, *Creating Shared Value* (Harvard Business Review, 2011) <<https://hbr.org/2011/01/the-big-idea-creating-shared-value>>.

<sup>112</sup> Ibid 37.

<sup>113</sup> N Leila Trapp, 'Corporation as Climate Ambassador: Transcending Business Sector Boundaries in a Swedish CSR campaign' (2012) 38(3) *Public Relations Review* 458, 465.

<sup>114</sup> Marrewijk (n 85) 95.

Corporate Social Responsibility, emphasizing its potential for generating sustainable value<sup>115</sup>. They identified the first step in SCSR as identifying social problems for which companies can create market-based solutions in an efficient and socially responsible manner.

*Evolution of CSR and Growing Acceptance:* In 2016, Chandler reflected on the evolution of CSR in the fourth edition of the book, emphasizing its growing acceptance as central to strategic decision-making and day-to-day operations<sup>116</sup>. Chandler viewed the generation of sustainable value as a primary objective of SCSR, advocating for a shift from profit maximization to value optimization over the long term.

*Five Components of SCSR:* Chandler expanded the components of SCSR to five major elements, emphasizing the complete incorporation of CSR into strategic planning, the connection between all company actions and core operations, the strategic necessity of understanding and responding to stakeholder needs, a shift to mid and long-term planning inclusive of key stakeholders, and a new focus on optimizing value<sup>117</sup>.

#### **2.3.3.8 Interconnected Concepts and CSR's Benchmark Role**

*Competing and Complementary Concepts:* Carroll (2015) reviewed various concepts, including stakeholder engagement, business ethics, corporate citizenship, corporate sustainability, and creating shared value<sup>118</sup>. He concluded that these concepts were interrelated and overlapping, with CSR serving as the central benchmark and a crucial element in the socially responsible business movement.

*SDGs and Regulatory Influence:* The year 2015 marked a significant moment with the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement. While the SDGs do not impose commitments on the private sector, EU law, through Directive 2014/95/EU, requires certain companies to disclose non-financial

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<sup>115</sup> David Chandler and William B Werther Jr, *Strategic Corporate Social Responsibility: Stakeholders, Globalization, and Sustainable Value Creation* (SAGE Publications, Incorporated, 2013) 46.

<sup>116</sup> Ibid 46.

<sup>117</sup> Ibid 46.

<sup>118</sup> Archie B Carroll, 'Corporate Social Responsibility: The Centerpiece of Competing and Complementary Frameworks' (2015) *Organizational Dynamics* 97

information<sup>119</sup>. This regulatory context creates pressure for firms to adopt new business practices or improve existing ones.

#### **2.3.3.9 Current State and Future Trends**

*Academic Publications on CSR:* Since 2015, the academic literature on CSR has experienced a substantial increase, indicating its continued relevance. However, the focus has shifted from the conceptualization and evolution of CSR to its implementation and impact on specific areas related to the SDGs. This reflects a practical approach to CSR within the context of contemporary challenges and regulatory frameworks.

*Corporate Purpose and the "Golden Mean":* Today, the prevailing view is that a company's primary purpose involves finding a "golden mean" between economic and social objectives. This approach seeks to combine increased economic success with the development of social initiatives. The emphasis is on aligning economic goals with societal progress, reinforcing the integration of CSR into business strategies.

#### **2.3.3.10 The Shift from CSR to ESG**

In recent years, the conversation around corporate responsibility has evolved from a focus on CSR to a broader framework known as Environmental, Social, and Governance (ESG). While CSR traditionally emphasizes voluntary corporate actions aimed at improving societal well-being, ESG represents a more comprehensive and structured approach that integrates environmental sustainability, social responsibility, and corporate governance into business practices and decision-making<sup>120</sup>. This shift reflects growing recognition of the need for businesses to not only engage in ethical practices but to also be held accountable for their environmental and social impact in measurable ways.

#### **2.3.3.11 Key Differences between CSR and ESG**

The transition from CSR to ESG can be seen as a natural progression in corporate responsibility. While CSR initiatives often focus on philanthropic activities, community

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<sup>119</sup> Ban Ki Moon, *Launch of New Sustainable Development Agenda to Guide Development Actions for the Next 15 Years* (Report, 2015) <<https://ourworld.unu.edu/en/un-member-states-agree-on-new-sustainable-development-agenda>>

<sup>120</sup> Robert G. Eccles, Linda-Eling Lee and Judith C. Strohle, 'The Social Origins of ESG: An Analysis of Innovest and KLD' (2020) 33(4) *Organization & Environment* 575, 596.

engagement, and ethical labour practices, ESG incorporates these elements into a more formalised framework that includes environmental stewardship, risk management, and governance structures<sup>121</sup>. One of the defining features of ESG is its emphasis on quantifiable outcomes, particularly in relation to environmental impact and governance, which allows for greater transparency and accountability.

CSR, on the other hand, has often been criticised for lacking standardised metrics and for being largely driven by marketing or public relations goals, rather than core business strategies. ESG, by contrast, is increasingly tied to financial performance, with investors and stakeholders using ESG criteria to assess the long-term sustainability and ethical behaviour of companies<sup>122</sup>. This transition has been driven by both regulatory pressures and changing consumer expectations, as well as the rise of socially responsible investing (SRI).

#### **2.3.3.12 The Integration of ESG in Corporate Strategy**

The integration of ESG factors into corporate strategy has far-reaching implications. By focusing on environmental, social, and governance metrics, companies are better equipped to address global challenges such as climate change, inequality, and governance corruption<sup>123</sup>. ESG frameworks not only promote ethical behavior but also ensure that companies are managing risks and opportunities related to sustainability in a way that aligns with long-term financial performance.

In conclusion, while CSR remains relevant as a framework for voluntary corporate responsibility, the growing emphasis on ESG represents a more robust and integrated approach to ethical business practices. This shift is reshaping how organizations measure their impact on society and the environment, and it highlights the increasing importance of governance in ensuring accountability and transparency.

Over the years, the evolution of CSR reflects a paradigm shift from traditional philanthropic responsibilities to a strategic imperative focused on creating shared

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121 Stuart L. Gillan, Andrew Koch and Laura T. Starks, 'Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance' (2021) 66 *Journal of Corporate Finance* 1, 2.

122 Gunnar Friede, Timo Busch and Alexander Bassen, 'ESG and Financial Performance: Aggregated Evidence from More Than 2000 Empirical Studies' (2015) 5(4) *Journal of Sustainable Finance & Investment* 210.

123 Carlo Bellavite Pellegrini, Laura Pellegrini and Massimo Catizone (eds), *Climate Change Adaptation, Governance and New Issues of Value: Measuring the Impact of ESG Scores on CoE and Firm Performance* (Springer Nature, 2022) 61.

value (CSV)<sup>124</sup>. Concepts like CSV, the third generation of CSR, and the emphasis on sustainable value creation highlight the dynamic nature of CSR. The increasing regulatory influence, as seen with the SDGs and EU directives, further solidifies CSR's role in contemporary business. The ongoing academic interest in CSR, coupled with its practical implementation, suggests that CSR remains a crucial framework for businesses navigating complex economic and social landscapes.

Having traced the historical trajectory of Corporate Social Responsibility (CSR), the study now turns attention to the intricate web of definitions that encapsulate its essence in contemporary business paradigms. The evolution of CSR has led to diverse interpretations and perspectives, reflecting the dynamic nature of this concept. As we embark on the exploration of its modern definitions, we aim to dissect the layers that businesses, scholars, and society intertwine to construct the meaning of CSR today. The following section delves into the nuanced dimensions and varied conceptualizations that shape the understanding of CSR in the present context, shedding light on its significance in guiding responsible corporate practices.

## **2.4 Definition of Corporate Social Responsibilities**

The previous section shows that the CSR concept had a long journey, and it is still developing. Some authors claimed that CSR concepts may be viewed as a long-term company strategy for long-term growth and competitive advantage. CSR concepts are increasingly recognized as integral components of long-term corporate strategies aimed at achieving sustainable growth and competitive advantage. This perspective is supported by authors who argue that by embracing CSR principles, companies can not only address societal and environmental concerns but also enhance their overall performance and resilience in the market.

To gain a deeper understanding of CSR and its significance in modern business contexts, it is instructive to explore its historical roots.

Howard Bowen first coined the term CSR in the 1950s. He is also known as the “Father of corporate social responsibility”. He argued that because many huge corporations have accumulated tremendous power and their decisions have a significant impact on

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<sup>124</sup> Porter and Kramer (n 91) 37.

community lives, they should be held accountable to society<sup>125</sup>. Bowen asserted CSR as “The obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”<sup>126</sup>. Some academics, such as Frederick, mirrored Bowen's viewpoint, arguing that businesses should manage their commercial operations to meet public expectations and increase socio-economic wellbeing<sup>127</sup>.

Later some other scholars such as McGuire, Wood, and Carroll also have acknowledged that businesses should have societal responsibilities<sup>128</sup>. They have adopted a broader perspective on CSR by incorporating several fields like ethics, sustainability, stakeholder management, and corporate citizenship<sup>129</sup>. On the other hand, Milton Friedman adopted a utilitarian perspective, arguing that a company's social responsibility is limited to maximizing profits in a legal and ethical manner, with the primary focus being on the interests of shareholders<sup>130</sup>. But this does not sound like organisations' social responsibilities because the main intention of businesses is making profit and maximise it as much as possible in legal ways. Therefore, Friedman's definition of CSR is more like a definition of corporate manager's responsibilities instead of corporate social responsibilities.<sup>131</sup>

James Brusseau defined CSR in two different ways, firstly, it's a typical term for any business theory that emphasises both the profit-making responsibility and the responsibility to work together morally, decently with the local neighbourhood. Secondly, CSR is a particular concept for any businesses to attain profit whilst it contributes to the well-being of the community<sup>132</sup>.

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<sup>125</sup> Ahsan Habib and Sr Marlene Mucha, ‘The Lifecycle and Effective Communication of CSR to the Stakeholder and the Public’ (2018) 5(1) *International Journal of Economics, Business and Management Studies* 1, 8.

<sup>126</sup> Bowen (n 39) 6.

<sup>127</sup> William C. Frederick, ‘The Growing Concern Over Business Responsibility’ (1960) 2(4) *California Management Review* 54; Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 23.

<sup>128</sup> Latapí Agudelo, Jóhannsdóttir and Davídsdóttir (n 27) 8.

<sup>129</sup> Joseph Willaim McGuire, *Business and Society* (McGraw-Hill, New Yourk, 1963) 129; Archie B. Carroll, ‘Corporate Social Responsibility’ (2015) 44(2) *Organizational Dynamics* 87; Donna J. Wood, ‘Corporate Social Performance Revisited’ (1991) 16(4) *Academy of Management Review* 691.

<sup>130</sup> Archie B Carroll and Jill A Brown, ‘Corporate Social Responsibility: A Review of Current Concepts, Research, and Issues’ (2018) *Corporate social responsibility* 39, 69.

<sup>131</sup> Craig P. Dunn and Brian K. Burton, ‘Friedman's “The Social Responsibility of Business is to Increase its Profits” A Critique for the Classroom’ (2006) 17 *Proceedings of the International Association for Business and Society* 292.

<sup>132</sup> James Brusseau, ‘The Business Ethics Workshop, V. 1.0.’ (2011) *Flat World Knowledge Retrieved* 599.



Thus, CSR includes activities of the businesses that are related not only to the profit maximisations but also to the society's needs. This means companies should not be self – centred and greedy, they should think about the society and look after its parts as much as possible. Now the question is are all the businesses able to consider all kind of social wellbeing? If not, then which companies and what types of social welfare they can include within the corporate social responsibilities? Therefore, it is necessary to look for a particular CSR definition which is more specific about business responsibilities.

Although, there are always ongoing debates and confusions around CSR, Carroll's definition remains the most widely accepted in academic studies. According to Carroll, CSR refers to “the commitments of business firms to seek those strategies, to settle on those decisions, or to pursue those lines of activity that are according to societal values and expectations”<sup>133</sup>. CSR may also be defined as a circumstance in which a corporation goes above and beyond the restrictions imposed on it and includes acts in its activities that create a social good that is not related to the company's interests. According to Kotler and Lee, CSR is a firm's commitment to improve society's well-being through autonomous business practises and the use of company resources<sup>134</sup>.

More precisely CSR is viewed as a function of ‘public interest’ by businesses that accept responsibility for the impact of their operations on clients, suppliers, staff, and shareholders of the company, societies, other stakeholders, and the environment. Companies in brief, consider the role of CSR that contributes to the stakeholders’ well-being instead of looking for increased profits only<sup>135</sup>. This means CSR also refers to a company's ongoing commitment to act properly, honestly, and sensibly to contribute to financial progress by developing the employees and their families’ lives, and the local society and community at large. As an example, The European Commission

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<sup>133</sup> Han HeeSup et al, Environmental Corporate Social Responsibility and The Strategy to Boost The Airline's Image and Customer Loyalty Intentions’ (2019) 36 (3) *Journal of Travel & Tourism Marketing* 371, 371; Manuela Weber, ‘The Business Case for Corporate Social Responsibility: A Company-Level Measurement Approach for CSR’ (2008) 26(4) *European Management Journal* 247-261, 247.

<sup>134</sup> Philip Kotler and Nancy Lee, *Corporate Social Responsibility, Doing the Most Good to your Company* (John Wiley & Sons, 2007) 22.

<sup>135</sup> Werner Hediger, ‘Welfare and Capital-Theoretic Foundations of Corporate Social Responsibility and Corporate Sustainability’ (2010) 39 (4) *The Journal of Socio-Economics* 518-526, 518.

agrees that CSR is an organisation's accountability for its effect on the society and environment<sup>136</sup>.

Thus, not only the corporate social responsibilities are very important for a company but also its stakeholders such as employees, customers, communities, and the environment<sup>137</sup> because CSR aids in cost reduction by conserving resources, attracting and sustaining the best employees, improving the business's reputation in community, developing new services and products, initiating new markets, reducing legal costs and risks of insurance, and ensuring a better quality of life. CSR encourages the search for solutions to problems by discussing growing complaints with stakeholders and provides feedback between the organisation and the environment. In the long run, CSR improves the company's chances of achieving long-term success.

The objectives and purposes of CSR – the essential issues - are explained in the section below.

#### **2.4.1 Purposes and Objectives of CSR**

Goals and aims of CSR have changed over the time. CSR was once regarded primarily as a marketing strategy aimed at enhancing legitimacy or improving a company's image. Today, however, it is observed as a critical strategic element of organisations, critical to their long-term viability<sup>138</sup>. When we look at different research that have been conducted from the inception of CSR, we can see it has distinct goals that have evolved through time such as economic, financial, and social goals. Around two decades ago Carroll and Shabana argued that CSR goals should not be considered met; rather, they coexist<sup>139</sup>. This study shows organisations can differentiate themselves from their competitors by exercising CSR activities which present opportunities for firms that would allow them to fulfil the needs of their stakeholders and at the same time they make profits.

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<sup>136</sup> Gerda, Barauskaite and Dalia Streimikiene, 'Corporate Social Responsibility and Financial Performance of Companies: The puzzle of Concepts, Definitions and Assessment Methods' (2021) 28(1) *Corporate Social Responsibility and Environmental Management* 278-287, 280.

<sup>137</sup> McGrath, Stephen Keith, and Stephen Jonathan Whitty. "Stakeholder defined." *International Journal of Managing Projects in Business* 10.4 (2017): 721-748, 721.

<sup>138</sup> Prasanta Kumar Dey et al, 'Environmental Management and Corporate Social Responsibility Practices of Small and Medium-Sized Enterprises' (2018) 195(1) *Journal of Cleaner Production* 687, 687.

<sup>139</sup> Archie B. Carroll and Kareem M. Shabana. 'The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice' (2010) 12(1) *International Journal of Management Reviews* 85.

According to some other studies, CSR is a marketing technique that boosts image, builds a positive corporate reputation, and legitimises a company's performance<sup>140</sup>. Businesses would seek community acceptance for their operations from this standpoint. This goal is identified as a licence to operate, would be termed a "social licence," without which a corporation would have to deal with issues that aren't directly related to its everyday operations, such as community conflicts<sup>141</sup>. The concept of reputation has evolved to cover the set of thoughts and perceptions held by various individuals and groups regarding a company's conduct<sup>142</sup>. This implies that the company's CSR activities are viewed as a means of gaining or strengthening corporate reputation which can be linked to financial performance measures and stakeholder relations<sup>143</sup>.

CSR also helps to achieve a competitive edge by reducing and managing business risk and associated costs. Some research shows that when a company performs environmental activities that also enhances effectiveness by dropping energy and resource costs, as well as costs connected with environmental compliance and other business expenses<sup>144</sup>. Company's profitability is very important as without profits the company would not exist. However, there are some factors which can have negative effect on profitability. Research shows that CSR could mitigate the negative effects of internal and external factors on profitability, such as demand

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<sup>140</sup> Mahmood A and Bashir J, 'How does corporate social responsibility transform brand reputation into brand equity? Economic and noneconomic perspectives of CSR' *International Journal of Engineering Business Management* 1; Shuo Wang, and Yuhui Gao, 'What Do We Know About Corporate Social Responsibility Research? A Content Analysis' (2016) 35(1) *The Irish Journal of Management* 1-16, 1; Piotr Wójcik, 'The Business Case for Corporate Social Responsibility: A Literature Overview and Integrative Framework' (2018) 26(1) *Central European Management Journal* 121-148, 121.

<sup>141</sup> Juliette Syn, 'The Social License: Empowering Communities and a Better Way Forward' (2014) 28(3) *Social Epistemology* 318-339, 318; Emma Wilson, 'What is the Social Licence to Operate? Local Perceptions of Oil and Gas Projects in Russia's Komi Republic and Sakhalin Island' (2016) 3(1) *The Extractive Industries and Society* 73-81, 73.

<sup>142</sup> Lisa Maria Rothenhoefer, 'The Impact of CSR on Corporate Reputation Perceptions of The Public—A Configurational Multi-Time, Multi-Source Perspective; (2019) 28(2) *Business Ethics: A European Review* 141-155, 141.

<sup>143</sup> Ana Tkalac Verčič and Dubravka Sinčić Ćorić, 'The Relationship Between Reputation, Employer Branding and Corporate Social Responsibility' (2018) 44(4) *Public Relations Review* 444-452, 444.

<sup>144</sup> Jane Lister, 'The Policy Role of Corporate Carbon Management: Co-Regulating Ecological Effectiveness' (2018) 9(4) *Global Policy* 538-548, 538.

variations owing to consumer boycotts, less employee involvement, issues with quality of products, scandals related to suppliers, and so on<sup>145</sup>.

A very important goal of CSR is to improve companies' relationships with their stakeholders. Some scholar investigated that how CSR improves the trustworthiness of a company's relationships with its stakeholders<sup>146</sup>. CSR facilitates communication with various stakeholders, as well as transmitting and receiving signals from the market. Majority of business reports include social and environmental data. Thus, the bond between businesses and their stakeholders gets stronger.

Therefore, it can be said that CSR generates a win-win situations for the enterprises. CSR addresses the benefits not only to stakeholders and society, but also influences the attainment of financial performance goals. It provides the idea that the company's commercial and financial interests are tied to its social and environmental performance. CSR actions will have a constructive influence on financial performance, as it also builds trust. This is called social capital, because it enables cooperation to look for common successes between organisations and its stakeholders<sup>147</sup>. Some research combines the two viewpoints, asserting that CSR activities are critical for forming strong relationships with firm stakeholders

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<sup>145</sup> Kais Bouslah, Lawrence Kryzanowski, and Bouchra M'zali, 'Social Performance and Firm Risk: Impact of the Financial Crisis' (2018) 149(1) *Journal of Business Ethics* 643-66, 643; Dae-Young Kim, Sung-Bum Kim and Kathleen Jeehyae Kim, 'Building Corporate Reputation, Overcoming Consumer Skepticism, and Establishing Trust: Choosing the Right Message Types and Social Causes in the Restaurant Industry (2019) 13(1) *Service Business* 363-388, 363.

<sup>146</sup> Jacob Brower, Saim Kashmiri and Vijay Mahajan, 'Signaling Virtue: Does Firm Corporate Social Performance Trajectory Moderate the social performance–financial performance relationship?' (2017) 81(1) *Journal of Business Research* 86-95, 86; Caroline Flammer, 'Competing for Government Procurement Contracts: The Role of Corporate Social Responsibility' (2018) 39(5) *Strategic Management Journal* 1299-1324, 1299; Linda Thorne et al, 'A Comparison of Canadian and US CSR strategic alliances, CSR reporting, and CSR performance: Insights into implicit–explicit CSR' (2017) 143 *Journal of Business Ethics* 85-98, 85.

<sup>147</sup> Fisher Kyla et al, 'Applying Asset-Based Community Development as a Strategy for CSR: A Canadian Perspective on a Win–Win for Stakeholders and SMEs' (2009) 18(1) *Business Ethics: A European review* 66-82, 66; Karl V. Lins, Henri Servaes and Ane Tamayo, 'Social Capital, Trust, and Firm Performance: The value of Corporate Social Responsibility During the Financial Crisis' (2017) 72(4) *The Journal of Finance* 785-1824, 1785; Laura J. Spence, René Schmidpeter and André Habisch, 'Assessing Social Capital: Small and Medium Sized Enterprises in Germany and the UK' (2003) 47 *Journal of Business Ethics* 17-29, 17.

and developing assets for example social capital and trust, which makes sure that economic performance is continued even in difficult times<sup>148</sup>.

Apart from stakeholders' relationships and financial benefits there are also some other objectives of CSR like value creation, legitimization of actions, competitive advantage, stakeholders' perceptions of the entity, and the reliability and credibility of actions. If closely observed, CSR objectives are mainly related to stakeholders' relationships and profitability of organisations. Here stakeholders mean the entire society. Any information to stakeholders from organisations ensures involvement of the various agents who perceive their demands and interests adequately in order to achieve long-term sustainability<sup>149</sup>.

From the discussion above, it is clear that CSR benefits both organisations and stakeholders. However, it remains unclear how companies practice CSR and what activities can be considered as corporate social responsibilities. Additionally, it is uncertain when a business can be identified as a corporate socially responsible organisation. Therefore, to describe the CSR practices by the organisations, several scholars suggested and acknowledged various types of CSR models and models. Some key theories and models are as discussed below.

## **2.5 CSR Theories**

A variety of theories that aim to provide a framework for the study of corporate social responsibility have been developed because of the examination of the goals and objectives of CSR as well as the interests and positions of stakeholders from a variety of angles.

### **2.5.1 Stakeholder Theory**

This idea focuses on stakeholders' needs. Thus, it states that managers of any organisations should think about the companies' key stakeholders and merge

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<sup>148</sup> Anjum Amin-Chaudhry, 'Corporate Social Responsibility–From a Mere Concept to an Expected Business Practice' (2016) 12(1) *Social Responsibility Journal* 190-207, 190; Bouslah, Kais, Lawrence Kryzanowski, and Bouchra M'zali. "Social performance and firm risk: Impact of the financial crisis." *Journal of Business Ethics* 149 (2018): 643-669, 643; Lins, Karl V., Henri Servaes, and Ane Tamayo. "Social capital, trust, and firm performance: The value of corporate social responsibility during the financial crisis." *the Journal of Finance* 72.4 (2017): 1785-1824, 1785.

<sup>149</sup> Jin-Su Kang et al, 'Corporate Social Responsibility and Sustainability Balanced Scorecard: The Case study of Family-Owned hotels' (2015) 48 *International Journal of Hospitality Management* 124-134, 124.

corporate aims with their needs and expectations. Stakeholders include suppliers, clients, consumers, the neighbourhood, regulators, the environment, and the common public<sup>150</sup>. The goal of the stakeholder theory is to examine how businesses should respond to stakeholder demands to stay in business and accomplish their objectives<sup>151</sup>. According to this viewpoint, the business must take into account the interests of all parties that might have a legitimate stake in the organisation, in addition to the shareholders<sup>152</sup>. Since every person or group that the business interacts with would be covered by this approach, it is important to define the stakeholders, usually making a distinction between internal and external parties. Defining stakeholders or distinguishing and identifying stakeholders and their needs and wants might be an issue in this theory. This theory falls short of providing a sufficient explanation of the process, incompletely links the internal and external variables, ignores the system that businesses work in and the degrees of analysis that exist within it, and incorrectly assesses the environment<sup>153</sup>. Stakeholder theory misunderstands the environment by viewing it as static, company-centric, and composed solely of stakeholder groups. The company image at any given time is fixed because the system and the processes that support it are not completely overcome. As a result, the aspect of change that occurs over time cannot be explained.

### **2.5.2 Shareholder theory**

According to this theory, the most important objective of the organisation's managers is to maximise the value of its shareholder. Shareholder theory gives more priority to the company's shareholders than the welfare of other business stakeholders, for example workers, dealers, consumers and society. This theory claims that

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<sup>150</sup> Peter Madsen and Zachariah Rodgers, 'Looking Good by Doing Good: The Antecedents and Consequences of Stakeholder Attention to Corporate Disaster Relief' (2015) 36(5) *Strategic Management Journal* 776; Qaiser Yasser, Abdullah Al Mamun and Irfan Ahmed, 'Corporate Social Responsibility and Gender Diversity: Insights from Asia Pacific' (2017) 24(3) *Corporate Social Responsibility and Environmental Management* 210.

<sup>151</sup> Brent, McKnight and Martina K. Linnenluecke, 'How Firm Responses to Natural Disasters Strengthen Community Resilience: A Stakeholder-Based Perspective' (2016) 29(3) *Organization & Environment* 290-307, 290; Donna J. Wood, 'Corporate Social Performance Revisited' (1991) 16(4) *Academy of Management Review* 691-718, 691.

<sup>152</sup> Edward Freeman, 'Strategic management: Strategic management: A stakeholder approach. B. The politics of stakeholder theory: Some future directions' (1948) 4 *Business Ethics Quarterly* 409; Donna J. Wood, 'Corporate Social Performance Revisited' (1991) 16(4) *Academy of Management Review* 691-718, 691.

<sup>153</sup> Marcela Rocha Haase Uhlig, Emerson Wagner Mainardes and Valcemiro Nossa, 'Corporate Social Responsibility and Consumer's Relationship Intention' (2020) 27(1) *Corporate Social Responsibility and Environmental Management* 313, 324.

shareholders of a company are the eventual owners of that company's assets<sup>154</sup>. Thus, the primary objective of managers and boards is to safeguard and grow the company's assets to benefit the shareholders. This approach assumes that shareholders assess the value of a company's resources primarily through two key indicators: dividends and share price. Dividends represent the portion of a company's earnings distributed to shareholders, reflecting the company's profitability. Share price, on the other hand, indicates the market's perception of the company's future potential and overall worth. So, management is expected to make strategic decisions that not only enhance the total value of dividends but also drive up the share price, ensuring that shareholders' investments continue to grow. In essence, the focus is on maximising shareholder wealth by prioritizing financial returns and market performance.

Kyriakou (2018) suggests that company's current and future possible shareholders are not only concerned about financial gains of the company but also are interested in corporates being socially responsible<sup>155</sup>. Which implies, this is also true that shareholders and businesses may have other intentions and goals that are not based on economic performance and shareholder theory does not consider that. Therefore, we can say that this shareholder theory is constrained to creating gains for shareholders and it ignores the significant part of other stakeholders effectively. Followers of this theory declare that the aim of maximising the value of shareholders can be clearly beneficial for all types of stakeholders of the businesses. The reason is quite clear which explains the share ownership creates a significant amount of financial flows, are the source of different committed responsibilities of the company such as suppliers' payments, employees' wages, salaries, bonus, and other remunerations, creditors' interest and repayments and government' taxes. Moreover, since shareholders are the main business risk holders in a company. In that sense, it is sensible for managements to focus on generating gain ultimately profit for the shareholders<sup>156</sup>. But this is also true that employees are unable to diversify their

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<sup>154</sup> Maeve O'Connell and Anne Marie Ward, 'Shareholder Theory/Shareholder Value' (2020) *Encyclopedia of Sustainable Management* 1, 7.

<sup>155</sup> Kyriakou Simoney, Advisers May Lose Clients If They Ignore Ethical Investments, *FTAdviser* (October 3, 2018) <<https://www.ftadviser.com/investments/2018/10/03/advisers-may-lose-clients-if-they-ignore-ethical-investments/>>.

<sup>156</sup> Peter Norberg, 'CSR Politics of Non-Recognition: Justification Fallacies Marginalising Criticism, Society, and Environment' (2020) 29(4) *Business Ethics: A European Review* 694, 705.

investments in the same way that shareholders may. Furthermore, shareholders have the option to leave at any moment. This is not as straightforward for taxpayers or some employees. As a result, Maeve O'Connell and Anne-Marie Ward argued that it is possible to claim that shareholders of a company are not only the primary risk takers within the organisations, but also other stakeholders for example employees and taxpayers are also exposed to significant risk. In reality, their losses may be higher than shareholders' losses if a company collapse<sup>157</sup>.

### **2.5.3 Legitimacy theory**

According to this idea, organisations always try to project the image of functioning within the parameters and norms of the society in which they are situated. A "social compact" between a firm and its relevant society is said to exist, according to the legitimacy theory. This social contract discusses whether an organisation behaves above social norms and bounds or only according to social expectations. The terms of the contract may be both explicitly stated or implicitly stated. Legal obligations are clearly defined requirements, while community expectations are more subtle and implied. In order for an organisation to maintain a good condition of legitimacy through which society enables the organisation to continue to exist, it must confirm that particular conditions are not broken ethical conduct, legal compliance, environmental stewardship, and stakeholder engagement.

In legitimacy theory, the entire society is considered rather than individuals alone. Consequently, the concept focuses on the organisation's relationship with society as a whole. Organisations do not operate in isolation; they need continuous engagement with society. Organisations, for example, get human capitals and materials from society, and they also provide society with their products and services. Unlike shareholder theories or like an agency theory, the legitimacy theory holds that an organisation must satisfy the demands of society at large as well as the needs of its owners or investors. According to the legitimacy theory, society only permits an organisation to carry on with its operations and guarantee its existence when these expectations are met. To put it another way, the concept asserts that "organisations can only continue to exist if the society in which they are based perceives the organisation to be operating to a value system that is commensurate with the society's

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<sup>157</sup> Connell and Ward (n 129) 7.



own value system"<sup>158</sup>. As a result, according to legitimacy theory, an organisation's level of legitimacy is critical to its long-term survival.

#### **2.5.4 Carroll's CSR Pyramid**

Carroll created the concept that is now referred to as Carroll's Pyramid of CSR, which describes how companies engage with their communities and the wider world (Fig. 1). Carroll's concept consists of four obligations that form the framework or base for a business's social responsibility<sup>159</sup>.

*Economic responsibility:* A corporate organisation's duty is to turn a profit. Carroll's CSR Pyramid places economic responsibility at the base because it is essential to a business's survival. Even non-profit organisations like charitable associations depend on their assets to thrive and remain in operation. Carroll argues that the first step in putting CSR into practise is to become involved in business operations and make money<sup>160</sup>. Carroll went on to say that owners and investors must be compensated with profits. For the business to continue expanding, profits must also be reinvested. A company's investments, marketing campaigns, business dealings, and long-term financial plan serve as its representation of fiscal responsibility to different stakeholders. A business that wants to start out needs to hire a lot of workers and interact with a wide range of stakeholders, such as banks, insurance companies, investors, sellers, vendors, and marketing consultants. Economists call this concept, which states that a profitable business benefits a range of stakeholders, the Win-Win hypothesis. Stakeholders will benefit, the flow of money will be improved, and a company will have met its financial commitment to corporate social responsibility.

*Legal responsibility:* All relevant laws and regulations must be followed by corporations. Carroll's Pyramid theory states that the second level of the CSR Pyramid is legal responsibility. A conscientious business adheres to the principles of an equitable business transaction<sup>161</sup>. A conscientious company abides by the law

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<sup>158</sup> Susith Fernando and Stewart Lawrence, 'A Theoretical Framework for CSR Practices: Integrating Legitimacy Theory, Stakeholder Theory and Institutional theory' (2014) 10(1) *Journal of Theoretical Accounting Research* 149, 178.

<sup>159</sup> Pavlo Brin and Mohamad N. Nehme, 'Corporate Social Responsibility: Analysis of Theories and Models' (2019) 5(5) *Eureka: Social and Humanities* 22, 30.

<sup>160</sup> Jintao Lu et al, 'Modified Carroll's Pyramid of Corporate Social Responsibility to Enhance Organizational Performance of SMEs Industry' (2020) 271 *Journal of Cleaner Production* 3.

<sup>161</sup> Sara Rodríguez-Gómez et al, 'Where Does CSR Come from and Where Does It Go? A Review of the State of the Art' (2020) 10(3) *Administrative Sciences* 60.

because it believes that moral business practises are advantageous to the economy and to society at large. It makes little sense to think of a company as adhering to CSR principles if it is involved in money laundering, tax fraud, or even the production of hazardous goods.

*Ethical responsibility:* Corporate social responsibility requires them to behave as decent neighbours. When there is accountability, even if it is not required by the law, businesses can still make actions that benefit society. Carroll said that businesses should abide by the law's spirit rather than its letter<sup>162</sup>. Put another way, a company's ethical obligation is conducting business in a way that the public expects. For example, fishing companies are allowed to search for an infinite amount of fish in the Middle East, but it is unethical to hunt more fish than the market needs. Civil organisations and societies are crucial in establishing corporate ethical norms until they are enacted into law.

*Philanthropic responsibility:* It's an elective move driven by a business's wish to engage in social activities that aren't legally mandated, governed, or generally regarded as morally right by the business community. Thus, philanthropic responsibility is just giving back to society; it's a business endeavour committed only to meeting community needs<sup>163</sup>. Commercial companies might be able to address society's needs on this level. To fulfil their charitable obligations, corporations participate in a variety of philanthropic activities. Some of these activities include supporting yearly marathons and staff donation drives. The goal of philanthropic endeavours is to enhance the company's reputation for good citizenship.

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<sup>162</sup> Archie B. Carroll, 'Carroll's pyramid of CSR: taking another look' (2016) *International journal of corporate social responsibility* 1-8, 8

<sup>163</sup> Brin and Nehme (n 134) 30.

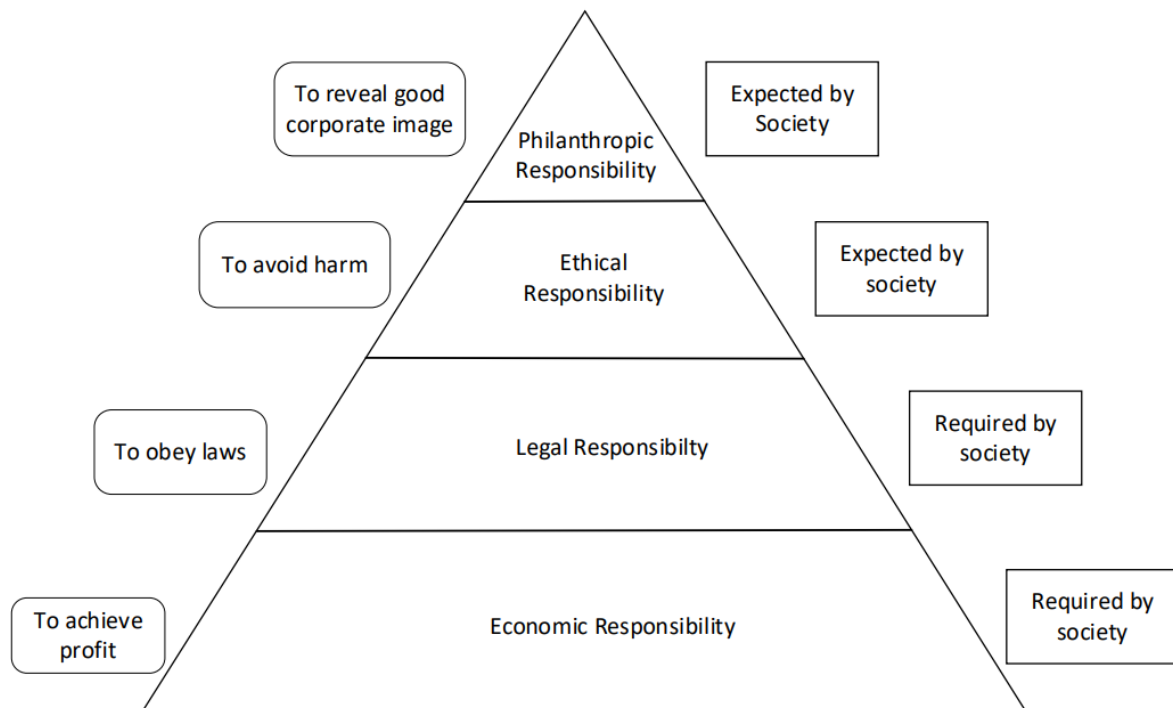


Figure 1: Carroll's CSR Pyramid Model<sup>164</sup>

The underlying principle of the Carroll Pyramid entails integrating CSR initiatives directly into the organisational framework or operational processes. Businesses ought to exercise social responsibility by first achieving their financial objectives, like maintaining profitability and long-term viability. The enterprises will be able to proceed to the next phase, which is the commitment to uphold internationally and regionally recognised legal requirements, if they have achieved economic sustainability. The third level, a dedication to moral values, then emerges. Lastly, businesses fulfil their maximum level of charitable obligations as mandated by the environment and society. Carroll certainly had American-style capitalist cultures in his mind when he designed the first four-part CSR concept and then the pyramidal depiction of CSR. It has been identified that all the levels of CSR portrayed in Carroll's pyramid play a role in Europe, but they have distinct meaning and are interconnected in a different way<sup>165</sup>. Similarly, Visser looked at Carroll's pyramid in developing countries/continents, particularly Africa, and suggested that the CSR tiers are in a different sequence than in the original pyramid. From his research, Visser identified that in developing countries, economic

<sup>164</sup> Archie B Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(4) *Business Horizons* 39, 48.

<sup>165</sup> Andrew Crane et al, *Business Ethics: Managing Corporate Citizenship and Sustainability in the age of Globalization* (Oxford University Press, 2019) 23.

responsibilities are the primary focus, with philanthropy taking the next spot, followed by legal obligations, and ethical duties coming last<sup>166</sup>. Therefore, before implementing the Carroll CSR framework, firms need to clarify a few other points, such as the state of the community and the surrounding environment. Businesses must consider the requirements of the community and carry out projects that are suitable for it in order to optimise the advantages of corporate social responsibility (CSR). As a result, there are several other issues that firms must consider before implementing the Carroll CSR framework, such as the nature and state of the surrounding environment and community specifically they must consider the needs of the surrounding community and create programmes that are appropriate for them.

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<sup>166</sup> Wayne Visser, 'The Age of Responsibility: CSR 2.0 and the new DNA of business' (2010) 5(3) *Journal of Business Systems, Governance and Ethics* 7.

*Table 1: Summary of The Carroll's Pyramid theory<sup>167</sup>.*

The Carroll's CSR Theory	Strength of the Theory	Benefits of Applying the Theory	Challenges in Applying the Theory
This model defines four levels of responsibility for businesses: economic (profitability), legal (compliance with laws), ethical (fairness beyond the law), and philanthropic (voluntary contributions to society). This model emphasises balancing financial goals with social responsibility.	<ul style="list-style-type: none"> <li>– Taking into account four main responsibilities for CSR approach: economic, legal, ethical and philanthropic</li> <li>– Arranging the four responsibilities in the order of the hierarchy</li> </ul>	<ul style="list-style-type: none"> <li>– Revealing good citizen image for corporation</li> <li>– Improving the reputation of corporations</li> </ul>	Before implementing the Carroll CSR theory, external social and environmental situations must be studied; it will take more time and effort to apply the theory

From the discussion above, it can be said that there are some similarities and conflicts within these theories.

Milton Friedman's Shareholder Theory states that corporations' main social obligation is to raise profits for the benefit of shareholders does not appear to reflect modern corporate attitudes toward social responsibility. Clearly, times have changed since Friedman's 1970, and as a result, attitudes of businesses as well as societies have shifted to the point where they now recognise that social responsibility is a very important and essential element of doing business. As a result, companies intend to

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<sup>167</sup> Carroll (n 137) 8.

constantly modify their corporate governance outlines and business strategies and policies to develop and become more socially responsible at the same time making profit. However, in Carroll's model, being a profitable organisation is also the first level of the corporate social responsibilities.

According to The Stakeholder Theory, all stakeholders' interests must be honoured in corporate social responsibility plans and strategies. It's crucial to remember that putting The Stakeholder Theory into practise requires complete unambiguosness and clarity of all company practises with its all stakeholders. A lack of transparency may allow business executives to exploit their power, disregarding community expectations while continuing to generate profit. Again, this theory can be linked with Carroll's model where a company's respective stakeholders' rights are directly related to the different stages of this model.

In terms of the Legitimacy Theory, it doesn't really tell us anything about why companies would choose not to report at all, or why they might choose to disclose selectively. But the explicit part of the social contracts can lie in the legal stage and implicit part can be placed in ethical and philanthropic stages of Carroll's model.

Carroll's CSR pyramid Theory is also not complete on its own. According to this theory corporations must focus on conducting business in a legal, ethical, and humanitarian manner. While such a theory runs the risk of firms ignoring many other external concerns, including social and environmental ones. The social and environmental needs of a company's surrounding community must be investigated before putting this plan into practise because these factors may change the order and priority of a company's responsibilities.

It follows that there are a few traits and attributes that all CSR theories have in common. Thus, companies could focus on these shared characteristics while putting any CSR theory into practise. Whereas these theories are broadly used in CSR studies, they are principally utilised individually for example, Carroll's CSR Pyramid mode. This theory explains well organisational behaviours of CSR practice. In this study, therefore, Carroll's model is considered in order to obtain maximum perception of and deep insights into organisations' CSR behaviour in Pakistan and Australia.

## 2.6 CSR Around the Globe

Globally, corporate entities are now acknowledged as vital contributors to development, with their responsibilities extending beyond mere industrial progress to include societal and environmental well-being. Historical incidents, for instance, the Bhopal gas tragedy in India, have underscored the need for corporations to invest and operate in a socially responsible manner. The era of globalization has heightened expectations for businesses to actively contribute to maintaining healthy ecosystems, promoting social inclusiveness, ensuring equity, and upholding ethical practices and good governance. CSR has thus become a key component of the global development program, recognizing the interconnectedness of corporate individuals and societies in fostering holistic progress. Across the world, diverse countries have adopted different approaches to implementing CSR, reflecting varied applications of these principles on a global scale. This section will delve into a discussion of CSR legislations worldwide.

### 2.6.1 CSR Regulation in Europe

The European Union (EU) arguably considers CSR a crucial tool for achieving sustainable development, innovation, and attractiveness within its social market economy. The European Commission robustly advocates sustainable and responsible businesses through CSR, emphasizing its role in opening new markets and fostering growth and innovation<sup>168</sup>. Since the 1990s, the EU has recognised CSR as integral to its sustainable development strategy, aiming to enhance corporate accountability to public institutions and citizens. The European Commission's definition of CSR, provided in 2001, underscores the voluntary incorporation of social and environmental issues into business processes and stakeholder interactions<sup>169</sup>. Despite initially emphasizing voluntary action, the EU, in collaboration with the European Council, reached an agreement in February 2014, making it mandatory for publicly traded enterprises with over 500 employees to report non-financial metrics annually<sup>170</sup>. This reporting includes impacts of human rights, activities and performance related to the environment, measurements of anti-corruption, and diversity programs, based on

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<sup>168</sup> Commission of The European Communities, *Communication from The Commission on The European Competitiveness Report 2008* (Report, Nov. 2008).

<sup>169</sup> Duygu Türker and Ceren Altuntaş, 'Corporate social responsibility: A framework for the sustainable future of enlarged Europe' (2012) 9(18) *Mustafa Kemal Üniversitesi Sosyal Bilimler Enstitüsü Dergisi* 459, 477.

<sup>170</sup> PGIM, 'ESG INVESTING', *Platform on Sustainable Finance* (Online Report, October 2022) <221011-sustainable-finance-platform-finance-report-minimum-safeguards\_en.pdf (europa.eu)>.

recognized CSR frameworks. According to Baharudin et al. (2019), this legislative development is anticipated to bring major changes to the CSR structure within the European Union<sup>171</sup>. The framework for CSR) has been further strengthened by recent developments as follows:

Corporate Sustainability Reporting Directive (CSRD): Effective from January 5, 2023, the CSRD requires large companies to report on environmental, social, and governance (ESG) factors, enhancing transparency and accountability<sup>172</sup>.

Corporate Sustainability Due Diligence Directive (CSDDD): Formally adopted in April 2024, the CSDDD mandates corporate due diligence to address human rights and environmental impacts of business activities. The directive entered into force in July 2024, and EU Member States must incorporate these rules into their domestic laws by July 26, 2026<sup>173</sup>.

Sustainable Finance: The EU promotes sustainable finance by integrating ESG considerations into investment decisions, including the EU taxonomy for environmentally sustainable activities and the European green bond standard<sup>174</sup>.

Sector and Product Initiatives: The EU has specific initiatives for different sectors and products to ensure companies manage their societal and environmental impacts effectively<sup>175</sup>.

Examining the micro perspective reveals the diverse cultural, financial, along with demographic landscape across the European continent, influencing the contact between society and business. While several EU countries have a tradition of practicing CSR, motivations vary, ranging from a belief in contributing to societal well-being to external pressures from civil society and consumers. Western European countries, influenced by welfare state systems, traditionally assigned societal obligations to companies. However, recent economic and socio-political changes have

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<sup>171</sup> Baharudin, Dayana Mastura and Nik Hadiyan Nik Azman, 'Corporate social responsibility reporting within the Malaysian oil and gas industry: A questionable publicity stunt' (2019) 4(1) *Economics, Management and Sustainability* 29, 36.

<sup>172</sup> 'Federal Ministry of Labour and Social Affairs', *The EU's CSR Policy* (Web Page) <<https://www.csr-in-deutschland.de/EN/CSR/CSR-international/The-EUs-CSR-Policy/the-eus-csr-policy.html>>.

<sup>173</sup> Ibid.

<sup>174</sup> 'Corporate Social Responsibility (CSR)', *European Commission* (Web Page) <[https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-social-responsibility-csr\\_en](https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-social-responsibility-csr_en)>.

<sup>175</sup> Ibid.



shifted focus to voluntary CSR actions to manage impacts<sup>176</sup>. In Central and Eastern Europe, companies play a more proactive role as change agents, with the civil society and public sector relatively less active<sup>177</sup>. The concerns and challenges associated with CSR in Europe differ based on the region's stability and development level. Notably, social responsibilities in Europe are often legally defined, setting a unique context for CSR legislations across European countries.

In Austria, the social market economy is characterized by extensive regulations, encompassing environmental, labour, and social protection laws that establish high business standards<sup>178</sup>. The 1966 Companies Act underscored the responsibility of corporations to extend their benefits beyond shareholders to the broader public<sup>179</sup>. In 2002, the Austrian government adopted a joint sustainability strategy, aiming to integrate social, economic, and environmental aspects, with various stakeholders, including the government, private sector and civil society. Currently, companies in Austria are dealing with recent developments in Environmental, Social and Governance (“ESG”) issues and measures relating to Corporate Social Responsibility (“CSR”). The emphasis on social responsibility is reflected in the regulatory environment and strategic initiatives, aligning with the broader European trend towards sustainable and responsible business practices after 15<sup>th</sup> of March 2024<sup>180</sup>.

Belgium's industrialized economy, characterised by a skilled and highly productive workforce, high GNP, and per head exports, has three territories with various CSR programs. The federal law of 1997 on the management of federal policy for sustainable development includes CSR as the 31<sup>st</sup> action, implemented through the federal action plan for CSR developed in 2006. While this plan promotes CSR and encourages its integration into management, it remains non-binding for companies<sup>181</sup>.

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<sup>176</sup> Wayne Visser and Nick Tolhurst, eds. *The world guide to CSR: A country-by-country analysis of corporate sustainability and responsibility* (Routledge, 2017) 191

<sup>177</sup> Ibid 191.

<sup>178</sup> Ulrike Famira-Mühlberger and Thomas Leoni, ‘The Economic and Social Situation in Austria Vienna: WIFO (2013) *Austrian Institute of Economic Research* 2.

<sup>179</sup> CSR Europe, *A Guide to CSR in Europe Country Insights by CSR Europe’s National Partner Organisations* (October 2010) 4.

<sup>180</sup> Roman Perner and Gabriel Ebner, ‘Corporate Governance Laws and Regulations Austria 2024’, *International Comparative Legal Guides International Business Reports* (July 15, 2024) <<https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/austria>>; Kletia Noti et al, *Corporate Social Responsibility (CSR) and its Implementation into EU Company Law* (European Parliament, 2020) 50.

<sup>181</sup> Céline Louche, ‘CSR in Belgium: The Institutional Context and Practices’ (2007) 1(8) *Vlerick Leuven Gent* 1.

Croatia, facing a decrease in GDP, lacks specific CSR legislation. However, a sustainable development strategy is in the drafting process, which may enhance benefits for companies engaged in CSR-related programs. Currently, there are no regulations regarding the reporting of CSR and SD initiatives<sup>182</sup>.

In the Czech Republic, multiple provisions and policies related to CSR exist, encompassing the National Labour Code, Law on General Product Safety, Consumer Protection Law, and Environmental Law<sup>183</sup>. The National Quality Policy, implemented in 2000, prioritizes CSR. However, there is no legislation obliging companies to report on CSR activities, with main priorities being the environment, well-being, and philanthropy<sup>184</sup>.

Finland lacks specific legislation for CSR, but laws covering consumer, social rights, educational, labour and environmental aspects are in place. CSR reporting is not mandatory, and companies often use global structures like UNGCN, GRI, and OECD guidelines for planning, communicating, and engaging stakeholders in CSR initiatives<sup>185</sup>.

France has a comprehensive legal framework for CSR, with significant texts dating back to the law on social reporting in 1977. In 2001, mandated listed companies adopted the NRE law to account for the social and environmental concerns of their activities. Subsequent laws have further developed the CSR legal framework in France<sup>186</sup>. CSR legislation such as Duty of Vigilance Law, Gender Pay Equity Reporting, and Sustainability Reporting requires companies with at least 50 employees in France must annually calculate and report their gender pay equity score based on specified indicators, large companies must establish and implement a vigilance plan to identify and prevent human rights violations and environmental damage in their operations and supply chains, companies are required to report on

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<sup>182</sup> Helga Spadina, 'Croatia: National Report' (2022) *Se. Eur. LJ* 10 50.

<sup>183</sup> M. Kubínková and N. Wexels-Riser, 'National Labor Law Profile: The Czech Republic', *ILO International Observatory of Labor Law* (Online, 2002) <<http://www.ilo.org/public/english/dialogue/ifpdial/ll/observatory/profiles/cz>>.

<sup>184</sup> Volodymyr Vasechko, 'Categories of Persons and the Validity Period of Temporary Protection in the Countries of the European Union: The Experience of the Republic of Poland, the Czech Republic and the Federal Republic of Germany' (2022) *Law Rev. Kyiv UL* 190.

<sup>185</sup> Sebastian Söderholm and Frans-Waltteri Metsä-Tokila, 'CSR Disclosure in Finland: Does Comprehensive Reporting Enhance Financial Performance?' (Master Thesis, UMEA University, 2021) II.

<sup>186</sup> Samuel O Idowu and Walter Leal Filho, *Global practices of corporate social responsibility* (Berlin: Springer, 2009) 37.

various environmental, social, and governance (ESG) indicators, promoting transparency and accountability<sup>187</sup>.

In Germany, some specific legislation on CSR includes the German Stock Corporation Act, the Cooperative Societies Act, the Securities Trading Act, the Auditors' Code and the Supply Chain Due Diligence Act<sup>188</sup>. In 2009, the formation of a multi-stakeholder forum recommended the creation of a national action plan on Corporate Social Responsibility in 2010<sup>189</sup>. Germany has recently updated its CSR laws by implementing the Corporate Sustainability Reporting Directive (CSRD). This new directive, adopted on July 24, 2024, replaces the previous EU Non-Financial Reporting Directive (NFRD) and introduces significant changes for companies<sup>190</sup>. These changes aim to enhance transparency and accountability in corporate sustainability practices, aligning with broader European sustainability goals.

Greece lacks specific legislation on CSR, although various legislative provisions cover basic CSR issues without explicit mention<sup>191</sup>.

Russia also lacks legislation on CSR, and business practices in this area are open to interpretation within local contexts<sup>192</sup>. However, an increasing number of firms are engaging in CSR activities in line with the government's growing recognition of the importance of CSR to address social, political, and environmental issues<sup>193</sup>.

In Sweden, the public sector dominates the space of social responsibility. The government initiated the 'Globalt Ansvar' (The Swedish Partnership for Global Responsibility) in 2000, aiming to assume increased roles in social responsibility<sup>194</sup>.

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<sup>187</sup> 'An Overview of French Corporate Social Responsibility Legislation for U.S.-Based Multinationals', *Insights / Ropes & Gray LLP* (Report, August 2023) <<https://www.ropesgray.com/en/insights/alerts/2021/01/an-overview-of-french-corporate-social-responsibility-legislation-for-us-based-multinationals>>.

<sup>188</sup> 'Federal Ministry of Labour and Social Affairs', *CSR policies in Germany* (Web Page, 2024) <<https://www.csr-in-deutschland.de/EN/CSR/CSR-national/CSR-Policies-in-Germany/csr-policies-in-germany.html>>.

<sup>189</sup> Christian Danisch, 'The Relationship of CSR Performance and Voluntary CSR Disclosure Extent in the German DAX indices' (2021) 13(9) *Sustainability* 4904.

<sup>190</sup> Stefanie Jordan, 'CSRD Implementation Act: The Most Important Contents and Effects', *KPMG* (Online, April 2024) <<https://kpmg.com/de/en/home/insights/2024/04/csrd-implementation-act.html>>.

<sup>191</sup> Ioannis Ziogas and Theodore Metaxas, 'Corporate Social Responsibility in South Europe During the Financial Crisis and its Relation to the Financial Performance of Greek Companies' (2021) 13(14) *Sustainability* 8055.

<sup>192</sup> Anđelka Stojanović et al. 'The Multi-Criteria Analysis of Corporate Social Responsibility: A Comparative Study of Russia, Bulgaria and Serbia' (2021) 27(4) *Journal of Management & Organization* 809, 829.

<sup>193</sup> Asemah-Ibrahim et al, 'Corporate Social Responsibility in War Ridden-Zones of Russia-Ukraine from February to July 2022' (2022) 5(3) *GVU Journal of Communication Studies* 7.

<sup>194</sup> Mohamad Mazboudi, Yusuf M. Sidani and Akram Al Ariss, 'Harmonization of Firm CSR Policies Across National Contexts: Evidence from Brazil & Sweden' (2020) 29(5) *International Business Review* 2.

Additionally, the 'Commission of Trust' was established in 2002 to evaluate trust in the Swedish business community and develop guidelines for desirable corporate governance<sup>195</sup>.

The United Kingdom has a long history of CSR dating back 200 years, with the UK Corporate Governance Code prescribing that a company's responsibilities are not only to deal with shareholders but also go beyond this. The Companies Act of 2006 requires companies to disclose information on various social and environmental matters, marking an important milestone in the formalization of the CSR movement in the UK<sup>196</sup>.

In Ireland, CSR is viewed as a voluntary approach for businesses, aligning with the EU's perspective. No specific legislation exists regarding CSR, except for the Credit Institution Act of 2008, which mandates that the financial institutions benefiting from the government assurance scheme report on their corporate responsibility via the Banking Federation of this country<sup>197</sup>.

### **2.6.2 CSR Regulation in East Asia**

In contrast to their Western counterparts, the Asian continent is often seen as trailing in the articulation of corporate social responsibility (CSR) and encouraging businesses to adopt CSR practices. Despite progress in East Asian countries' population education, there are persistent challenges such as economic inequality and limited universal access to basic services. The prevalence of pressing social issues in Asia necessitates greater responsibility and responsiveness from businesses beyond immediate stakeholders. While CSR originated in the West, it has gained traction in the context of Asian countries, with an expanding number of enterprises aligning their operations and policies with CSR principles<sup>198</sup>. The heterogeneity of the region results in distinct approaches, shaped by diverse religious, social and cultural factors that influence importance and CSR drivers. Below a concise outline of CSR legislations in three economically significant East Asian countries is provided. These countries are China, Japan, and South Korea, characterised by the highest Gross Domestic Product

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<sup>195</sup> Ibid.

<sup>196</sup> Companies House, 'Our Commitment to Corporate Social Responsibility (CSR),' *GOV.UK* (online, August 20, 2018) <<https://www.gov.uk/government/news/our-commitment-to-corporate-social-responsibility-csr>>.

<sup>197</sup> What Is CSR - Business in the Community Ireland, *Business in the Community Ireland* (August 1, 2023) <<https://www.bitc.ie/about-us/what-is-csr/>>.

<sup>198</sup> Aparna Bhatia and Binny Makkar, 'CSR Disclosure in Developing and Developed Countries: A Comparative Study' (2020) 11(1) *Journal of Global Responsibility* 1.

(GDP) in the region, and exhibit unique CSR prerequisites influenced by factors such as Confucian heritage, diverse religions, and historical events.

China's CSR landscape is shaped by a complex political economy involving various ministries, central government bodies, and local authorities. The application and enforcement of CSR policies differ significantly across regions, with more developed areas exhibiting greater awareness of CSR<sup>199</sup>. The Chinese government, since 2004, has actively promoted CSR to build a well-balanced society and accomplish sustainable development. Notably, since 2017, the government has increased pressure on enterprises and civil community to conform with environmental laws and accountable business practices<sup>200</sup>. Key CSR policies in 2017 include regional CSR improvement, a proposed compulsory system to release environmental information, and support for volunteer service. Initiatives like the environmental protection tax and a pilot program for environmental damage compensation further demonstrate China's commitment to CSR. Additionally, targeted poverty reduction has been a prominent focus, aligning with the country's broader economic objectives<sup>201</sup>.

Japan's CSR philosophy, termed 'Sanpo-yoshi,' emphasizes three-way satisfaction for the trader, customer, and the local society. Despite perceptions of Japan being a latecomer to CSR, it has shown commitment, driven in part by pressures from foreign investors advocating for a more shareholder-oriented model<sup>202</sup>. The Ministry of Economy, Trade and Industry and the Japanese Business Federation (Keidanren) play crucial roles in promoting CSR, emphasizing reporting and environmental responsibility. Keidanren stresses that corporations should contribute to economic development and benefit society. Research on Japanese CSR emerged significantly after 2013, with a focus on environmental technologies and sustainability

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<sup>199</sup> Clara Pfannkuch, 'Corporate Social Responsibility in East Asia What is the current state of CSR in Japan, South Korea, and China and how does it comply with the international guidelines?', (Online 2016) <<https://ecos.univie.ac.at/ecos-graduates/>>.

<sup>200</sup> Lee & Xu Lehman, 'Chinese Law | China: Corporate Social Responsibility' *Lehman, Lee & Xu* <<https://www.lehmanlaw.com/resource-centre/faqs/corporate-social-responsibility/corporate-social-responsibility.html>>.

<sup>201</sup> Li Liu and Gary Gang Tian, 'Mandatory CSR Disclosure, Monitoring and Investment Efficiency: Evidence from China' (2021) 61(1) *Accounting & Finance* 595, 644.

<sup>202</sup> Gregory Jackson and Julia Bartosch, *Understanding Corporate Responsibility in Japanese Capitalism: Some Comparative Observations* (INCAS Discussion Paper Series, 2017) <Understanding Corporate Responsibility in Japanese Capitalism: Some Comparative Observations - HAL-SHS - Sciences de l'Homme et de la Société>.

management. Japanese firms excel in the environmental dimension but are perceived as less explicit in social responsibility compared to European counterparts<sup>203</sup>.

South Korea's recognition of CSR surged during its 1997-1998 financial crisis, gaining acknowledgment from private organisations, the government and the public sector, and civil society<sup>204</sup>. Despite lacking legislative mention or a legal definition for CSR in Korean corporate law, the country operates based on American CSR theories and laws<sup>205</sup>. Many Korean companies associate CSR primarily with philanthropy, with a significant focus on this area. Majority of CSR activities involve philanthropy, and South Korean unions, led by FKTU and KCTU, engage in CSR through this lens<sup>206</sup>. Over half of South Korean companies, including major and reputed businesses for example SK Energy, KT, Samsung, and Hyundai Motor Group have CSR sections, and a 2006 FKI survey revealed that 75% of the country's largest corporations engage in CSR developments. Nevertheless, these businesses allocate no more than 2% of their total profits to CSR which is lower than the standards in the USA and Japan<sup>207</sup>. In 2008, FKI formalized a resolution to improve the social contribution of its partner organisations, establishing a CSR team. The main role of this team is to monitor various responsibilities, including legal, economic, ethical, along with social responsibility<sup>208</sup>.

### 2.6.3 CSR Regulations in American Countries

This section draws a concise overview of CSR legislations in American countries.

CSR practices in the United States are evolving unevenly across industries, influenced by leadership, perspectives on CSR, financial inducements, government principles,

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<sup>203</sup> Ministry of Economy, Trade and Industry, *Japan's Policy for CSR* (Report, April 2012) 1, 14.

<sup>204</sup> Hyemi Shin et al, 'The Moral Relationality of Professionalism Discourses: The Case of Corporate Social Responsibility Practitioners in South Korea' (2022) 61(4) *Business & Society* 886; Seungho Choi and Ruth V Aguilera, 'Corporate Social Responsibility Dynamics in South Korea and Japan: A comparative analysis' (2009) *Corporate social responsibility: A case study approach*. Cheltenham: Elgar 123, 147.

<sup>205</sup> Jeehye You, 'Corporate Social Responsibility in Korea: A Legal Perspective' Washington University Open Scholarship <[https://openscholarship.wustl.edu/law\\_etds/32](https://openscholarship.wustl.edu/law_etds/32)>.

<sup>206</sup> W. Liem, 'Corporations, Unions and CSR in South Korea' (2014) 2 *CSR Research Paper Series No 2*  
References - Scientific Research Publishing  
<<https://www.scirp.org/reference/referencespapers?referenceid=2933716>>.

<sup>207</sup> Subir Rana, 'Book Review: The Reality of Corporate Social Responsibility: Case Studies on the Impact of CSR on workers in China, South Korea, India and Indonesia. Hong Kong: Asia Monitor Resource Centre, 2012' (2015)1 *Asian Labour Review* 115, 123.

<sup>208</sup> Chune Young Chung, Sangjun Jung and Jason Young, 'Do CSR Activities Increase Firm Value? Evidence from the Korean Market' (2018) 10(9) *Sustainability* 3164.

and communal pressures<sup>209</sup>. Conventionally, CSR in the U.S. was perceived as philanthropy, but contemporary definitions emphasize 'corporate citizenship' recognizing other stakeholders like the government and civil society<sup>210</sup>. In the United States, Corporate Social Responsibility is shaped by a combination of regulatory requirements such as the Dodd-Frank Act which was signed into law on July 21, 2010, it includes Section 1502, 1503, and 1504 which mandate certain companies to disclose their use of conflict minerals, mine safety, and resource extraction to disclose payments to U.S. and foreign governments, with the information made publicly available online. The SEC's (Securities and Exchange Commission) final regulations, published on August 22, 2012, require these companies to file a specialised disclosure report annually by May 31, starting from 2014<sup>211</sup>. CSR in the U.S. is marked by deliberate social actions, with enterprises not obligated to commence societal and environmental accountability practices<sup>212</sup>. CSR goes beyond disclosures of financial report requirements, encompassing cause-related marketing, philanthropy, and charitable contributions<sup>213</sup>. U.S. companies donate significantly more than their British counterparts. Membership in the Global Compact is relatively lower among U.S. companies, possibly due to certain aspects being less acceptable. U.S. corporations operate within circumstances where they may be required by law to adhere to national regulations and guidelines, highlighting the diverse efforts pushing forward social responsibility, environmental sustainability, and responsible corporate governance<sup>214</sup>.

In Mexico, the concept of Corporate Social Responsibility (CSR) has historically been less known and underdeveloped. Traditionally, CSR was associated with philanthropy, and there was limited engagement with civil society. The relationship between corporations and civil society was often characterized by hostility, hindering

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<sup>209</sup> Mark Anthony Camilleri, 'Corporate Social Responsibility Policy in the United States of America' in Samuel Idowu, Stephen Vertigans and Schiopoia Burlea (eds), *Corporate Social Responsibility in Times of Crisis* (CSR, Sustainability, Ethics & Governance, Springer, Switzerland) 2.

<sup>210</sup> Sandra Waddock, *Leading Corporate Citizens: Vision, Values, Value Added* (McGraw-Hill/Irwin, 2005) 43.

<sup>211</sup> KPMG International, *Conflict Minerals and beyond: Part One: Developing a Global Compliance Strategy* (Report, 2012) <<https://assets.kpmg.com/content/dam/kpmg/pdf/2013/11/conflict-minerals-and-beyond-part-one-v3.pdf>>.

<sup>212</sup> Globalization: Numerous Federal Activities Complement U.S. Business's Global Corporate Social Responsibility Efforts, *U.S. GAO* <<https://www.gao.gov/products/gao-05-744>>.

<sup>213</sup> Mark Anthony Camilleri, 'Corporate sustainability, social responsibility and environmental management' (2017) *Cham, Switzerland: Springer International Publishing* 1.

<sup>214</sup> Stephen Chen and Petra Bouvain, 'Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany' (2008) 87(S1) *Journal of Business Ethics* 299.

the development of CSR in Mexico<sup>215</sup>. However, a new perspective on CSR, influenced by European models, has emerged in contemporary times, defining the enterprises' social responsibility toward all stakeholders. Mexicans show interest in participating to social programs, but challenges such as a lack of transparency and unclear communication hinder active involvement. Transparent public information is not widespread, leading society to rely on corporate data to analyse social outcome. In Mexico, the most common Corporate Social Responsibility initiatives focus on the health, environmental, and educational development<sup>216</sup>.

In Brazil, the discussion around Corporate Social Responsibility (CSR) began in the early sixties<sup>217</sup>. Over the years, different approaches have evolved, reflecting a shift in corporate attitudes towards social issues. Until the 1960s, companies in Brazil did not acknowledge the existence of social problems<sup>218</sup>. In the 1970s, there was an acknowledgment of problems, but companies did not take ownership. By the 1980s, companies not only acknowledged the existence of problems but also took responsibility by proposing solutions. Presently, under the influence of social pressures, companies in Brazil are actively engaged in dealing with social challenges. However, as of now, CSR in Brazil is still in the initial stage. The country is working in progress, with no jurisdictive provisions identifying the characterization of CSR or requiring social accountability for corporations<sup>219</sup>. Consequently, CSR in this country remains open to clarification and may be recognised in a different way by various stakeholders.

#### **2.6.4 CSR Regulation in Middle East and Africa**

In Africa and the Middle East, the understanding and implementation of Corporate Social Responsibility (CSR) vary, ranging from perceiving it as philanthropy to embracing a more responsibly driven and strategic corporate social investment

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<sup>215</sup> Mariela Pérez Chavarría, 'Corporate Social Responsibility in Mexico' (2009) *The Debate Over Corporate Social Responsibility* 135.

<sup>216</sup> Velázquez Luis et al, 'Mexico: An Overview of CSR Programmes' (2009) *Global Practices of Corporate Social Responsibility* 283.

<sup>217</sup> Mariana Lima Bandeira and Fernando López Parra, 'Brazil: CSR under Construction' in *Springer eBooks* (2008) 309 <[https://doi.org/10.1007/978-3-540-68815-0\\_15](https://doi.org/10.1007/978-3-540-68815-0_15)>.

<sup>218</sup> Mariana Lima Bandeira and Fernando Lopez Parra, 'Brazil: CSR Under Construction' (2009) *Global Practices of Corporate Social Responsibility* 309, 321.

<sup>219</sup> Veet Vivarta and Guilherme Canela, 'Corporate Social Responsibility in Brazil: The role of the Press as Watchdog' (2022) *Corporate Citizenship in Latin America: New Challenges for Business*. Routledge 95.



approach<sup>220</sup>. The traditional notion of giving forms the basis for interpreting CSR in the region. Several countries within the region are progressing but not at a same pace in terms of operationalizing and standardizing the meaning of CSR, as well as formulating regulations to establish a monitoring framework for the execution and stating CSR actions.

In Egypt, there are currently no legal or professional obligations, requiring companies to provide report on their social initiatives, despite the recent economic growth in the country<sup>221</sup>. The literature on Corporate Social Responsibility (CSR) in Egypt suggests a significant influence of religious beliefs on CSR practices. Traditionally, Egypt has a strong culture of philanthropy, with a history of the corporate sector that contributes to the development of the community. Despite undergoing political and economic modifications, Egypt perceives CSR more as an informal practice than as a traditional charitable idea. For Egyptian businesses, CSR remains largely voluntary, limiting its potential for social impact and sustainable development. The absence of legislative mandates allows for diverse interpretations and approaches to CSR by different institutions and goals<sup>222</sup>. However, in response to recommendations from the 'Business Solutions for Human Development Report' in 2007, the ECRC - Egyptian Corporate Responsibility Centre was founded in 2008. Operating on the principles of the United Nations Global Compact Network, the ECRC provides consultatory facilities and arranges training to build capacity for private organisations, aiming to enhance the national capability for designing, applying, and monitoring sustainable CSR policies<sup>223</sup>.

In Turkey, the evolution of Corporate Social Responsibility (CSR) dates to philanthropic initiatives during the Ottoman era, particularly through the 'waqf' (foundation) system that supported education, health, and social security. However,

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<sup>220</sup> Dima Jamali et al, 'How Institutions Affect CSR Practices in the Middle East and North Africa: A critical review (2020) 55(5) *Journal of World Business* 1.

<sup>221</sup> M. Karim Sorour et al, 'Exploring the Evolving Motives Underlying Corporate Social Responsibility (CSR) Disclosures in Developing Countries: The Case of "Political CSR" Reporting' (2021) 34(5) *Accounting, Auditing & Accountability Journal* 105; Aly Salama, 'Egypt: Social Responsibility Disclosure Practices' in *Springer eBooks* (2008) 325.

<sup>222</sup> Sina Hbous, Radwa El Masry, and Hamed M. Shamma, 'CSR in Egypt: Communication and Marketing Practices' (2020) *Rethinking Business Responsibility in a Global Context: Challenges to Corporate Social Responsibility, Sustainability and Ethics* 10.

<sup>223</sup> IMC and UNDP, *Expanding Horizons in Development: The Rising Role of Private Sector* (2013) <Expanding Horizons in Development: The Rising Role of the Private Sector | United Nations Development Programme (undp.org)>.

over the past 50 years, political and economic challenges have hindered the creation of a conducive environment for CSR development, resulting in the absence of a standardized definition of CSR in the Turkish context<sup>224</sup>. While CSR awareness has increased in Turkey through economic integration efforts and collaboration with international bodies, the lack of a legislative framework has led to scattered investments across various sectors, lacking a socially visible impact. In 2003, The Capital Markets Board announced The Corporate Governance Code which serves as a guideline for CSR implementation, creating awareness and understanding of CSR practices<sup>225</sup>. Turkey's admission to the European Union holds promise for advancing CSR. However, realizing this potential requires clear legislative measures incentivizing corporate conglomerates to actively engage in CSR and contribute to social development.

In Nigeria, the CSR landscape is primarily shaped by philanthropic initiatives undertaken by the corporate sector. Ethnic organisations in Nigeria typically view CSR as corporate philanthropy, using it to tackle various socio-economic tasks within their local communities, making CSR a deeply integrated social practice<sup>226</sup>. Despite the absence of specific It is argued that CSR legislation in Nigeria is either poorly managed or unenforceable, that implicitly regulates or mandates the performance of CSR practices<sup>227</sup>. Given the challenges faced by the Nigerian economy, including low growth and the decay of government organisations, there is a call for constructed and organised CSR rules and regulations. Such legislation would provide a regulatory outline for business entities, encouraging them to function in a societally accountable manner and potentially offering a significant boost to the Nigerian economy<sup>228</sup>.

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<sup>224</sup> Nalan Akdoğan, Seval Kardes Selimoglu and Medine Turkcan, 'Sustainability Accounting and Corporate Social Responsibility in Turkey and in its Region' (2020) 19(1) *Journal of Accounting and Management Information Systems* 5; Line, Mark and Braun, Robert 'Baseline Study on CSR Practices in the New EU Member States and Candidate Countries' (2007) *United Nations Development Programme* 20.

<sup>225</sup> Burcu Eker Akgöz and Elif Engin, 'Corporate Social Responsibility in Turkey: An Analysis Through Web Sites' (2016) 8(2) *İşletme Araştırmaları Dergisi* 30.

<sup>226</sup> S. C Okaro and Gloria O. Okafor, 'Corporate Social Responsibility in Nigeria: Corporate Social Responsibility Practices: The Nigerian Experience' (2021) *Current Global Practices of Corporate Social Responsibility: In the Era of Sustainable Development Goals* 525; Kenneth Amaeshi et al, 'Corporate Social Responsibility in Nigeria: Western Mimicry or Indigenous Influences?' (2006) *Social Science Research Network* 4<<https://doi.org/10.2139/ssrn.896500>>.

<sup>227</sup> Chima Mordi et al, 'Corporate Social Responsibility and the Legal Regulation in Nigeria' (2012) 64(1) *Economic Insights-Trends & Challenges* 1, 8.

<sup>228</sup> S. C Okaro and Gloria O. Okafor, 'Corporate Social Responsibility in Nigeria: Corporate Social Responsibility Practices: The Nigerian Experience' (2021) *Current Global Practices of Corporate Social Responsibility: In the Era of Sustainable Development Goals* 525, 541.

In the South African context, CSR has historical roots tied to problems of racial discrimination and colonization that afflicted the country for an extended period. Usually, CSR was viewed through the lens of CSI (corporate social investment) or strategic charity, often localized in the corporation's operational areas<sup>229</sup>. However, there is a contemporary shift, with criticism of CSI as merely an expansion of corporate strategy lacking societal outcomes or sustainability. Presently, a lot of South African CSR is influenced by the King Report. Specifically, that report on Corporate Governance for South Africa, which clearly identifies and promotes perceptions like social accountability, corporate citizenship, along with sustainability reporting<sup>230</sup>. While CSR rules and regulations are absent in South Africa, obligating businesses to engage in CSR activities, recent amendments to the Companies Act initiated a provision requiring companies to establish a social and ethics committee. Certain corporate entities are exempt from this requirement, creating a potential divide in CSR compliance across different entities<sup>231</sup>. There is a growing recognition of the requirement for CSR guidelines in the country to ensure uniform compliance driven by structured law instead of a sense of responsibility that has been perceived. Such legislation could contribute to creating a more cohesive CSR ecosystem in South Africa.

In the United Arab Emirates (UAE), the landscape of charitable giving has historically controlled the environment. In 2017, the UAE declared it the "Year of Giving", during which the Ministry of Economy introduced eleven ideas guiding businesses on Corporate Social Responsibility (CSR) endeavours to foster social accountability and corporate investment<sup>232</sup>. To encourage corporate participation in improvement ideas, the "National Corporate Social Responsibility Index" and "Social Responsibility Passport" were presented, fostering an atmosphere of philanthropy<sup>233</sup>.

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<sup>229</sup> Ralph Hamann, 'South Africa: The Role of History, Government, and Local Context' in *Springer eBooks* (2008) 435 <[https://doi.org/10.1007/978-3-540-68815-0\\_20](https://doi.org/10.1007/978-3-540-68815-0_20)>.

<sup>230</sup> Aparna Bhatia and Binny Makkar, 'CSR Disclosure in Developing and Developed Countries: A Comparative Study' (2020) 11(1) *Journal of Global Responsibility* 1.

<sup>231</sup> What's Really Right? Corporate Social Responsibility as a Legal Obligation in South Africa, *Polity.Org.Za* (February 14, 2014) <<https://www.polity.org.za/article/whats-really-right-corporate-social-responsibility-as-a-legal-obligation-in-south-africa-2014-02-14>>; Lin (n 12) 429.

<sup>232</sup> Najeb Masoud and Om Prakash Bohra, 'Corporate Social Responsibility (CSR): Case Study in UAE and Community Expectations' (2020) *2nd International Conference on Social Sciences in the 21st Century* 32, 34.

<sup>233</sup> Sherouk Zakaria, 'CSR to Be Compulsory for UAE Companies - News | Khaleej Times,' *Khaleej Times* (online, June 13, 2017) <<https://www.khaleejtimes.com/local-business/csr-to-be-compulsory-for-uae-companies>>.

Following the Year of Giving, the UAE enforced CSR legislation from February 1, 2018. This legislation mandates businesses to provide information on their CSR actions and economic supports. The main objective of the law is to create a legal framework in the UAE for the country's CSR contributions. This will maintain a record of all progress accomplishments conducted via CSR. Moreover, the legislation aims to incentivise companies that make effective contributions to social<sup>234</sup>.

The global evolution of Corporate Social Responsibility (CSR) reflects an increasing recognition of corporate entities as pivotal contributors to the development process. Standardised frameworks such as the United Nations Global Compact Network (UNGCN), the Global Reporting Initiative (GRI), and the Organisation for Economic Co-operation and Development (OECD) provide guidelines for CSR practice and reporting<sup>235</sup>. The progression of CSR varies across countries, with some at different phases of fostering an environment conducive to CSR practices. Notably, CSR rules and regulations are not universally present due to country-specific character or the diverse characteristics of enterprises and companies in different regions. Nevertheless, CSR is gaining importance and recognition worldwide. Companies of varying sizes, including small, medium, and large-sized enterprises, are increasingly implementing CSR strategies to make meaningful and active and operational societal contributions to the global community.

## **2.7 CSR Activities by the Organisations**

Organisations can, and frequently do, gain from their CSR actions, as previously demonstrated, which may have led to the current academic literature's overwhelming focus to the topic of CSR<sup>236</sup>.

Organisations may participate in CSR activities for one of three reasons. The first is intrinsic (also known as other-focused, altruistic, values-driven, or public-serving CSR): the company engages in CSR to assist others and contribute to society. Ethical and philanthropic incentives are included within intrinsic motives. Ethical reasons are

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<sup>234</sup> Benjamin Smith, 'CSR Law in the UAE: Are You Ready?' *Corporate and Company Law - United Arab Emirates* (online, May 8, 2018) <<https://www.mondaq.com/corporate-and-company-law/699592/csr-law-in-the-uae-are-you-ready>>.

<sup>235</sup> George Halkos and Stylianos Nomikos, 'Corporate Social Responsibility: Trends in Global Reporting Initiative Standards, (2021) 69 *Economic Analysis and Policy* 106.

<sup>236</sup> Menno D Jong and Mark V Meer, 'How Does It Fit? Exploring the Congruence Between Organizations and Their Corporate Social Responsibility (CSR) Activities' (2017) 143(1) *Journal of Business Ethics* 71.

motivated by a sense of moral obligation, whereas altruistic motives are motivated by a desire to benefit others<sup>237</sup>.

Extrinsic motivation (also known as self-focused, strategic, or self-serving motivation): An organisation engages in CSR because it expects financial or other rewards from its socially responsible behaviour<sup>238</sup>. Many studies have looked at the impact of CSR efforts on organisational outcomes, with many (but not all) finding favourable results. Overall, these studies highlight the potential for CSR initiatives to help organisations, while these cannot suggest any need for further investigation into the variables that may have influenced such outcomes.

Meeting societal expectations and stakeholder pressure is the third motivation (also referred to as stakeholder-driven). A View for Change survey found that 94% of Gen-Z believes that businesses should address urgent social and environmental challenges. Customers state that 76% of them would not do business with a company whose beliefs or positions contradict with their own. Fifty-five percent of buyers are willing to pay more for goods and services that bring about improvements. Over 90% of consumers globally are likely to switch to brands that give back to charitable organisations. Compared to organisations that don't exhibit these qualities, 90% of the consumers questioned are more likely to trust and stick with socially responsible enterprises. If they discovered that a company was engaging in reckless business practises, 90% of consumers surveyed said they would boycott it, and 55% of those surveyed had already done so in the previous year. Ninety-one percent of people worldwide desire that companies do more for their customers than just turn a profit. A company's CSR initiatives are something that 88% of consumers are interested in learning about, and 84% of them would "inform friends and family" about them. Eighty-five percent of customers view a brand or business more favourably when it contributes to a cause they are passionate about. Ninety-two percent say they would purchase a product that promotes a cause. Seventy-two percent of consumers think

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<sup>237</sup> Qian Zhang, Bee Lan Oo and Benson Teck Heng Lim, 'Drivers, Motivations, and Barriers to the Implementation of Corporate Social Responsibility Practices by Construction Enterprises: A review' (2019) 210 *Journal of cleaner production* 563, 584.

<sup>238</sup> Qian Zhang, Bee Lan Oo and Benson Teck Heng Lim, 'Drivers, Motivations, and Barriers to the Implementation of Corporate Social Responsibility Practices by Construction Enterprises: A review' (2019) 210 *Journal of cleaner production* 563, 584.

businesses should be legally obligated to protect people and the environment<sup>239</sup>. In practise, firms' CSR initiatives are generally motivated by a combination of factors. For example, research shows that philanthropy is the primary motivation for companies to engage in CSR initiatives, but competitiveness was also a factor<sup>240</sup>. Famous multinational brands such as Coca-Cola, Google, J&J are practicing CSR successfully and they are claiming benefits of it but local companies' CSR activities particularly in Pakistan are not noticeable. They are most likely neglecting it intentionally or are simply unaware of it altogether. At the same time, CSR activities of organisations in Australia are quite better than Pakistani companies. To show the overall picture, CSR practices in the world garment industry are discussed briefly in the following section.

### **2.7.1 CSR in Apparel Industry:**

CSR research in the garment sector is newer than CSR and CSR communication research in general, but it is becoming more important as an emergent and much-needed field of study<sup>241</sup>. It is evident that there is a scarcity of CSR integration into the entire strategy of enterprises in the industry. From the discussion of CSR theory, it is apparent that corporations must understand their stakeholders' problems and goals, and these concerns should be represented in communication and company strategy.

According to the findings of a study, supply chain management, with a particular focus on human rights, labour, and employee treatment, is a big problem across the garment sector. Supply chain management is vital for companies outsourcing to developing countries, as it involves navigating challenges like quality control, ethical labour practices, and environmental impact to protect brand reputation and profitability. Due to concerns of monitoring and control over practices and performances along the supply chain, as well as the variety of cultural and social practises through borders, it is also one of the most difficult CSR issues for organisations to address. Stories in the media about sweatshops and poor workplace environments in inadequately maintained manufacture factories arouse concern among the general public and

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<sup>239</sup> Nicola Telford, 'Corporate Donations Statistics: Why Giving Back Is Important,' *Medium* (online, January 4, 2022) <<https://nicola-telford.medium.com/corporate-donations-statistics-why-giving-back-is-important-79a798f6e325>>.

<sup>240</sup> Xavier Font and Jennifer Lynes, 'Corporate Social Responsibility in Tourism and Hospitality' (2018) 26(7) *Journal of Sustainable Tourism* 1027.

<sup>241</sup> Nika Salvetti, 'The Relationship between Action Logics of Business Leaders and CSR Behaviours in the Ready-Made Garment Sector of Bangladesh' (2020) <<https://www.semanticscholar.org/paper/The-Relationship-between-Action-Logics-of-Business-Salvetti-Nijhof/c6abfb2bc800518a770341c5f156e2db3615e4c5>>.

critical activists. For example, garment companies were chastised by the media after the collapse of the building called Rana Plaza in Bangladesh in 2013, which housed numerous garment manufacturing workshops and killed over 2500 people<sup>242</sup>. Supply chain management will need worldwide political, economic, and corporate initiatives to minimise as a reoccurring CSR concern. A fashion firm is only as socially accountable as the other businesses in its supply chain from the consumer's perspective, therefore effective communication regarding CSR standards across a company's supply chain is critical to managing stakeholder criticism. Efforts to encourage ethical worker treatment and sustainable methods at all stages of production should be made public, and communication should be proactive rather than reactive to media reporting. Environmental sustainability management and consumer perceptions, attitudes, and behaviours in assessing or enhancing the likelihood of making a purchase were also identified as major CSR issues in the study, which also have potential ramifications for stakeholder involvement and the progression of less uncertain brand communication<sup>243</sup>.

In a nutshell, reviewing the past decade, it is evident that the language of CSR is not the same for all industries as well as the countries such as readymade garment industry of Pakistan and Australia. Basic CSR activities and practices by the organisations and countries should be the same as we all are part of the world. Therefore, it is an alarming situation in the global village which is demanding a strategic implementation of CSR into the developing society like Pakistan and demand the corporate entities to be an active part of corporate ideology with the help of developed country for instance Australia.

## 2.7 Summary

This chapter discussed the history of corporate social responsibility that is how it emerged and over time the concept has developed. Different authors' definitions have been described to indicate the complete meaning of CSR. This chapter also explained the purposes and objectives of corporate social responsibilities along with some important CSR theories and models to show how organisations and countries should

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<sup>242</sup> Ben Vanpeperstraete, 'The Rana Plaza Collapse and The Case for Enforceable Agreements with Apparel Brands' (2021) *Transnational Legal Activism in Global Value Chains* 137.

<sup>243</sup> Candace L White, Anne Ellerup N and Chiara Valentini, 'CSR Research in the Apparel Industry: A Quantitative and Qualitative Review of Existing Literature' (2017) 24(5) *Corporate Social Responsibility and Environmental management* 382.

practice CSR activities. The final part of this chapter showed that CSR activities of organisations, and industries are not the same and in some case it differs significantly.

This chapter answers the following research questions.

- What constitutes CSR and how has the concept evolved over time?
- How do RMG organisations in different industries implement CSR practices, and are there sector-specific variations?
- What theoretical frameworks can be used to evaluate and analyse CSR activities in organisations?

The focus of this study is on RMG organisations' CSR activities in two selected countries, one is a developing country Pakistan, and the other one is a developed country Australia. The next questions are:

- What are the implications of non-compliance with CSR regulations, including potential penalties and criminal consequences?
- How do international CSR guidelines and standards impact the CSR practices of RMG companies in Pakistan and Australia?

Therefore, the following chapter describes the legal structure and guidelines particularly effective for the organisations in these two countries. This chapter also discusses CSR function of clothing businesses in Pakistan and Australia.



## **Chapter 3: CSR Laws and Guidelines**

### **3.1 Introduction**

In chapter 2, the thesis discussed CSR definitions, history and a selection of CSR theories. Importantly it considered Carroll's Pyramid model to describe the nature of RMG companies' CSR activities in Australia and Pakistan. The aim of this study is to find out and how CSR activities of ready-made garment organisations in Australia affect Pakistani RMG organisations and how the CSR activities of those businesses differ because of CSR guidelines, rules and regulations. Firstly, section 3.2 describes the general laws and regulations of CSR. In sections 3.3 and 3.4, Pakistan and Australia's socio-economic conditions are described along with the practices, laws and rules of CSR in these two countries.

### **3.2 Laws, Guidelines, and CSR**

CSR is not only a matter of significance to organisations and their business stakeholders but also a concern of prospective noteworthiness to governments in developing and developed states. Enterprises' social responsibility may help governments in satisfying welfare state objectives of a political nature based in law as commitments.

Companies which are socially responsible can contribute in many ways. They can contribute to incorporation of immigrants, training and education, gaining access to health services and financial conditions of their workers after retirement. This can help to save government's funds as companies' fund activities and acts "in place" of the government. Consequently, saved funds can be used for other necessary purposes such as education, healthcare, infrastructure development, and social welfare programs. When companies undertake initiatives that align with government priorities, they contribute to the overall well-being of society while reducing the burden on public resources. Also, in developing countries, companies' corporate action related to social and environmental responsibility can help governments to address social and economic development needs. In addition, this can contribute to the application of human rights and to fight against corruption. Social responsibility requires corporations procuring their product or services from third world countries, that can also benefit workers of those countries. Corporate procurement from third-world countries can

benefit workers by creating job opportunities, improving working conditions, providing skill development and training, empowering marginalized groups, and contributing to community development initiatives. In third world developing countries, labour structures and employee surplus indicate that workers' development process in these countries is complex that needs more than just a company imposing CSR demands on its suppliers.

Usually CSR is recognised as “doing more than what is required by law”<sup>244</sup>, i.e., beyond the requirements of the law. But still legal science play an important role in CSR applications and design<sup>245</sup>. International law does not impose legal obligations on businesses. However, many companies and stakeholders involved in CSR often behave as international law, particularly regarding human rights, labour, and environmental standards, is binding on corporations<sup>246</sup>. Companies often comply with CSR principles for several practical reasons beyond legal requirements. For example, corporations frequently recognise that aligning with international standards on human rights, labour, and environmental practices builds trust with stakeholders, mitigates reputational risk, and meets the growing consumer demand for ethical business practices. Additionally, research shows that investors and partners increasingly value CSR alignment, which can positively impact a company's market position and long-term sustainability<sup>247</sup>. Over the past decade, there have been several instances where NGOs and the media have exposed companies suspected or accused of directly or indirectly violating international human rights, labour rights, or environmental standards. Even though they may not have a specific legal role, certain stakeholder organisations effectively keep corporations accountable by their actions. Investors, especially institutional ones, are increasingly evaluating investments for CSR risks and steering clear of companies that may present such risks. Perhaps most importantly, a few corporations conduct societal, environmental, or (human) rights effect valuations during or in advance of actions to reduce the risk of acts that may be deemed in violation of labour law, human rights, or ecological principles, or to take actions to

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<sup>244</sup> Karin Buhmann, ‘Corporate Social Responsibility: What Role for Law? Some Aspects of Law and CSR’ (2006) 6(2) *Corporate Governance* 188.

<sup>245</sup> Karin Buhmann, ‘Corporate Social Responsibility: What Role for Law? Some Aspects of Law and CSR’ (2006) 6(2) *Corporate Governance* 188.

<sup>246</sup> Ana Čertanec, ‘The Connection between Corporate Social Responsibility and Corporate Respect for Human Rights’ (2019) 10(2) *Danube* 103 <<https://sciendo.com/article/10.2478/danb-2019-0006>>.

<sup>247</sup> Gregor Pfajfar et al, ‘Value of Corporate Social Responsibility for Multiple Stakeholders and Social Impact—Relationship Marketing Perspective’ (2022) 143 *Journal of Business Research* 143 (2022): 46, 47.

develop situations that may fall under the identical categories. Due to the ILO's unique tri-partite structure, which includes not only governments but also employees' and employers' organisations in the development of conventions, it is possible to argue from a political standpoint that employers (and employees) are obligated by the agreements. However, states retain responsibility for implementation of laws and regulations following each state's own modalities, including through collective agreements, according to theory of law (Constitution of the ILO art. 19 (5) (d))<sup>248</sup>. Furthermore, countries are beginning to enact legislation requiring businesses to report on CSR issues, and the EU Commission as an example has released documents urging CSR activity that use ILO and OECD guidelines as basic criteria<sup>249</sup>. In April 2004, the United Nations Human Rights Commission held its 60<sup>th</sup> session in Geneva, where it considered a set of proposed draft guidelines on businesses' human rights duties<sup>250</sup>. As a result, CSR demands come from a variety of sources in society.

This chapter only addresses briefly the purpose of the OECD Guidelines and the ISO 26000 standards as well as the UN Global Compact and Guiding Principles on Business and Human Rights.

#### OECD Guidelines:

The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises stand as a cornerstone in the realm of responsible business conduct, providing a robust framework of recommendations. Adopted by OECD member countries, these guidelines encompass a set of principles that guide responsible business conduct globally, aligning with applicable laws and internationally recognized standards. Here are some key components of the OECD guidelines, their incorporation into national legal frameworks, and the significance of having a concrete complaint handling mechanism<sup>251</sup>.

The OECD guidelines<sup>252</sup> are based on principles that span various Corporate Social Responsibility (CSR) areas. These include Disclosure, Human Rights, Employment

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<sup>248</sup> Ibid 190.

<sup>249</sup> Ibid 202.

<sup>250</sup> Ibid 190.

<sup>251</sup> OECD, *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (OECD Publishing, 2023) 55 <<https://doi.org/10.1787/81f92357-en>>.

<sup>252</sup> Ibid

and Industrial Relations, Environment, Combating Bribery, Bribe Solicitation and Extortion, Consumer Interests, Science and Technology, Competition, and Taxation. Each of these principles reflects a commitment to ethical and responsible practices in the global business landscape. In some countries such as Denmark, the OECD guidelines have transcended mere recommendations; they have been codified into law<sup>253</sup>. This legal integration signifies an important step towards ensuring that enterprises, organisations, and public authorities operating within Denmark adhere to these guidelines, irrespective of their global or domestic operations. This legal mandate reflects Denmark's commitment to fostering responsible business conduct and aligning its practices with international standards. One of the distinctive features of the OECD guidelines is their comprehensive scope, covering a spectrum of CSR areas. The guidelines advocate for enterprises to undertake due diligence across all these areas, except in the domains of Science and Technology, Competition, and Taxation. This holistic approach ensures that businesses engage in responsible practices across diverse facets, acknowledging the interconnectedness of economic, social, and environmental considerations. A notable distinction of the OECD guidelines is the explicit requirement for establishing a concrete complaint handling mechanism<sup>254</sup>. This ensures that when a violation occurs, there is a structured process in place for addressing and resolving the issue. In addition to these guidelines, the OECD has developed industry-specific due diligence guidance to further enhance corporate accountability. One notable example is the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (2018). This guidance helps companies implement due diligence practices to avoid and address negative impacts in their supply chains, aligning with international standards such as the UN Guiding Principles on Business and Human Rights and relevant ILO conventions<sup>255</sup>. The emphasis on a tangible mechanism sets the OECD guidelines apart from other frameworks, demonstrating a commitment to transparency,

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<sup>253</sup> Nathanael Ham, 'The Potential of Corporate Social Responsibility: A Case Study on Effective Implementation of CSR from Denmark', *Michigan Journal of International Law* (January 8, 2024) <<https://www.mjilonline.org/the-potential-of-corporate-social-responsibility-a-case-study-on-effective-implementation-of-csr-from-denmark/>>.

<sup>254</sup> OECD, *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (OECD Publishing, 2023) <<https://doi.org/10.1787/81f92357-en>>.

<sup>255</sup> 'OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector', *OECD iLibrary* (Web Page) <[https://www.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector\\_9789264290587-en](https://www.oecd-ilibrary.org/governance/oecd-due-diligence-guidance-for-responsible-supply-chains-in-the-garment-and-footwear-sector_9789264290587-en)>.

accountability, and effective dispute resolution. The global applicability of the OECD guidelines positions them as a benchmark for responsible business conduct. By being adopted by member countries, the guidelines create a harmonized approach to CSR, fostering a shared understanding of ethical practices in multinational enterprises. The impact of these guidelines transcends borders, influencing corporate behaviour on a global scale. While the OECD guidelines provide a robust framework, challenges in implementation persist. Enterprises may face difficulties in navigating the complexities of due diligence across diverse areas. However, these challenges present opportunities for innovation, collaboration, and the development of best practices that can shape responsible business conduct. The OECD guidelines represent a dynamic framework that evolves with changing global dynamics. As businesses adapt to new challenges and opportunities, the guidelines provide a foundation for continuous improvement in responsible business conduct. The future outlook involves ongoing collaboration between governments, businesses, and civil society to enhance the effectiveness and relevance of the guidelines.

In a brief these guidelines offer comprehensive and legally binding framework for responsible business conduct. The incorporation of these guidelines into national laws, as exemplified by Denmark, showcases a commitment to upholding ethical standards in the global business landscape. The emphasis on due diligence, a dedicated complaints handling mechanism, and a broad scope make these guidelines instrumental in shaping the future of CSR and responsible business practices.

### **ISO 26000: Navigating Social Responsibility in Organisational Practices**

The International Organisation for Standardization (ISO) released ISO 26000 in 2010, a groundbreaking standard that provides guidance to organisations seeking to implement a 'social responsibility' policy<sup>256</sup>. This standard emerged after a comprehensive negotiation process that engaged an international working group and national committees spanning over 90 countries<sup>257</sup>. This section explores the genesis, structure, and impact of ISO 26000, delving into the complexities of its adoption,

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<sup>256</sup> Ibid.

<sup>257</sup> ISO 26000 and OECD Guidelines Practical Overview of the Linkages, *ISO* (7, February 2017) 21<PUB100418.pdf (iso.org)>.

government involvement, and the diverse perspectives that shape the landscape of social responsibility.

ISO 26000 was not conceived overnight; it evolved through an intricate negotiation process that spanned half a decade. The international working group and national committees involved in its development engaged in extensive deliberations to create a comprehensive framework for social responsibility. This gestation period reflects the meticulous efforts invested in crafting a standard that addresses the multifaceted dimensions of social responsibility within organisational contexts. The widespread adoption of ISO 26000 is evident in the participation of National Standard Bodies from 99 of the 165 countries, signifying a global consensus on the need for a standard guiding social responsibility practice<sup>258</sup>. The contention around ISO 26000 underscores the complexity of reconciling different national and organisational approaches to social responsibility. While governments played a role as stakeholders in the development of ISO 26000, it is crucial to note that the standard does not carry formal endorsement from governments. This nuance distinguishes ISO 26000 from regulations that bear explicit government approval. However, some countries, including Argentina, China, and Indonesia, have explicitly supported ISO 26000<sup>259</sup>. Examining the dynamics between governments and this voluntary standard shed light on the evolving relationship between regulatory bodies and globally accepted frameworks for responsible business conduct.

The involvement of National Standard Bodies is pivotal in the adoption and implementation of ISO 26000. These bodies, representing the consensus within their respective countries, play a crucial role in the standardization process. Understanding how these bodies navigate the diverse socio-economic landscapes of their nations offers insights into the adaptability and applicability of ISO 26000 on a global scale. ISO 26000 serves as a guiding compass for organisations aiming to implement social responsibility policies. The standard delineates key areas of concern, including organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement. Analysing how organisations interpret and integrate these guidelines into their structures provides a

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<sup>258</sup> Ibid.

<sup>259</sup> 10 Years of ISO 26000 Leading Social Responsibility, *ISO* (27 November, 2020) <ISO - 10 years of ISO 26000 leading social responsibility>.

lens into the practical implications of ISO 26000. No standard is without its challenges and criticisms. ISO 26000 faces questions about its enforceability, with sceptics arguing that being a voluntary standard dilutes its impact. Additionally, concerns about the potential for 'greenwashing'—superficial adherence to environmental and social responsibility without substantive changes—underscore the importance of critically examining the efficacy of such standards in driving real change. ISO 26000's impact extends beyond the boundaries of individual organisations and countries. Its global acceptance signifies a collective acknowledgment of the importance of social responsibility in the corporate world. As organisations continue to grapple with the evolving landscape of ethical business practices, the future trajectory of ISO 26000 is likely to be shaped by ongoing debates, refinements, and its ability to adapt to emerging challenges.

In brief, ISO 26000 stands as a beacon guiding organisations in the realm of social responsibility. Its genesis, global adoption, and the nuanced dynamics involving governments, national bodies, and organisations contribute to a complex tapestry of perspectives. As the corporate world grapples with the imperative of responsible business conduct, ISO 26000 remains a vital instrument, inviting ongoing discourse on its relevance, impact, and potential to steer organisations toward a more socially responsible future.

## **UN Global Compact and Guiding Principles on Business and Human Rights**

In the ever-evolving landscape of corporate responsibility, two prominent frameworks, the UN Global Compact and the UN Guiding Principles on Business and Human Rights, stand as beacons guiding businesses toward ethical and sustainable practices. This section delves into the intricate details of these frameworks, exploring their genesis, principles, application, and the transformative impact they aim to bring to the world of business.

The UN Global Compact, a sweeping global policy initiative, emerged as a response to the need for businesses to operate with a heightened sense of social responsibility. Established with ten general principles encompassing human rights, labour, the environment, and anti-corruption, the Global Compact provides a comprehensive roadmap for businesses aspiring to integrate responsible practices into their core operations. At its core, the UN Global Compact lays out ten principles

that align with internationally recognized conventions<sup>260</sup>. These principles span four crucial areas: human rights, labour, environment, and anti-corruption and they are listed below.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies, and

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Analysing these principles reveals a holistic approach to corporate responsibility, urging businesses to not only prioritize profit but also uphold ethical standards that contribute to societal well-being. While the inspiration drawn from the Global Compact's principles can guide any enterprise, formal acceptance into the Global Compact's database is limited to entities with more than ten employees. This

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<sup>260</sup> Marina Mattera and Carmen Alba Ruiz-Morales, 'UNGC Principles and SDGs: Perception and Business Implementation' (2021) 39(2) *Marketing Intelligence & Planning* 249, 255.



formal commitment signifies a pledge by the enterprise to integrate the ten principles into its business activities. Moreover, the annual reporting requirement adds a layer of accountability, ensuring transparency and continuous improvement in aligning business practices with the Global Compact's principles.

The UN Guiding Principles on Business and Human Rights provide a comprehensive interpretation of how governments and businesses should navigate human rights in their operations. With 31 principles falling under the framework 'Protect, Respect, and Remedy,' these guidelines offer a robust foundation for businesses to address human rights considerations comprehensively<sup>261</sup>. The guiding principles delineate responsibilities across three main areas: the human rights obligations of governments, the responsibility of business enterprises to respect human rights, and access to remedy. This tripartite structure creates a well-defined framework, emphasizing the interconnectedness of governmental obligations, corporate responsibilities, and avenues for seeking remedy in cases of human rights violations. One notable strength of the UN Guiding Principles is their universality and applicability to all businesses in all situations. This inclusivity underscores the recognition that respect for human rights should be a foundational aspect of corporate conduct, regardless of industry, size, or geographic location. By transcending specific contexts, these principles set a global standard for ethical business practices. While the UN Global Compact and the UN Guiding Principles on Business and Human Rights have distinct focuses, they share a complementary nature. The Global Compact provides a broader set of principles covering various aspects of responsible business conduct, while the Guiding Principles zoom in specifically on human rights. Together, they form a robust foundation for businesses seeking to navigate the complex terrain of corporate responsibility comprehensively. Themes like human rights, labour, and anti-corruption, which are central to both frameworks, create a natural overlap. This convergence signifies the interconnectedness of these principles and the acknowledgment that responsible business conduct requires a multifaceted approach. Despite the intentions behind these frameworks, challenges in implementation persist. Businesses, particularly smaller enterprises, may face

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261 Marie Gradert et al, *A Comparison of 4 International Guidelines for CSR* (Danish Business Authority, 2015) 6 <[https://iso26000.info/wp-content/uploads/2016/03/Danish\\_Business\\_Authority\\_\\_A\\_comparison\\_of\\_4\\_international\\_guidelines\\_for\\_CSR\\_2015.pdf](https://iso26000.info/wp-content/uploads/2016/03/Danish_Business_Authority__A_comparison_of_4_international_guidelines_for_CSR_2015.pdf)>.

resource constraints and difficulties in aligning their operations with the rigorous standards set by these frameworks. Striking a balance between profitability and responsibility poses an ongoing challenge. Conversely, the challenges present opportunities for transformative change. Embracing the principles outlined in the UN Global Compact and the Guiding Principles on Business and Human Rights can catalyse positive shifts in corporate cultures, fostering innovation, resilience, and long-term sustainability.

The UN Global Compact<sup>262</sup> and the UN Guiding Principles on Business and Human Rights emerge as pivotal frameworks shaping the future of responsible business conduct. Their principles, rooted in international standards, offer businesses guidance on navigating the intricate landscape of corporate responsibility. The synergies between these frameworks, coupled with their nuanced approaches to different aspects of responsible business, create a comprehensive roadmap for enterprises aspiring to contribute positively to society while ensuring their own sustainability in the long run. As businesses increasingly recognize the intertwined nature of profitability and responsibility, these frameworks stand as guiding lights, encouraging a paradigm shift toward ethical, inclusive, and sustainable business practices.

It is impossible to pinpoint one or limited individual actors responsible for CSR norms. The business sector appears to play a little role in determining the substance of CSR, since corporations appear to follow and act on external demands rather than creating the agenda<sup>263</sup>. Simultaneously, some businesses engage in voluntary actions such as voluntary reporting or the implementation of voluntary codes in order to influence or postpone legislation<sup>264</sup>. There are two forms of law in CSR: informal law and reflexive law. The role of legal concepts will be discussed on a broad scale.

Informal law refers to a set of normative beliefs and patterns of behaviour and action that aren't based on a clear boundary between law and morality, or between law and

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<sup>262</sup> 'Uniting Business for a Better World | UN Global Compact' <<https://unglobalcompact.org/take-action/20th-anniversary-campaign>>.

<sup>263</sup> Buhmann (n 211) 190.

<sup>264</sup> Carol A. Adams, 'Internal Organisational Factors Influencing Corporate Social and Ethical reporting: Beyond Current Theorising' (2002) 15(2) *Accounting Auditing & Accountability Journal* 223; David P. Angel and Michael T. Rock, 'Global Standards and The Environmental Performance of Industry' (2005) 37(11) *Environment and Planning* 1903, 1918.

fact<sup>265</sup>. There is no central, state, or national authority that creates it. The legitimacy of informal law in semi-autonomous areas is rooted in its real observance, which is upheld through mechanisms specific to the context in which it operates, rather than through governmental sanctions. These mechanisms can take various forms, such as community customs, traditional practices, or informal dispute resolution mechanisms. For example, in certain tribal communities, customary laws and traditional councils play a significant role in resolving disputes and maintaining social order.

The sanctions imposed by informal law are typically either moral or practical in nature. Moral sanctions may include social stigma or ostracism for those who violate community norms, while practical sanctions could involve the denial of certain privileges or benefits within the community. These informal sanctions serve to reinforce compliance with informal legal norms and contribute to the overall effectiveness of the system.

Furthermore, informal law can sometimes precede formal law, serving as a sort of pre-formal legal framework. In these cases, informal legal norms emerge organically within society to address specific issues or regulate certain behaviours before formal legal institutions intervene. Over time, as these informal norms gain widespread acceptance and legitimacy, they may be codified into formal law through legislative or judicial processes.

In the business world, neither self-regulation nor informal rules remarked as if they were legally enforceable are new occurrences. Collective bargaining agreements are an example of a generally acknowledged type of business self-regulation<sup>266</sup>.

Dalberg-Larsen referring to Teubner produced ideas on reflexive law, which were then debated by many other legal scholars. In a nutshell, reflexive law neither establishes precise duties and rights as law in the Rechtsstaat nor defines aims to be realised in a functional sense of the welfare state. Instead, it focuses on procedures: Appropriate decisions are thought to be made based on protocols that specify who should be involved in decision-making, resulting in decisions apparently being made by stakeholders who are directly representative of the interests affected by the decision.

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<sup>265</sup> Lawrence M. Friedman and Grant M. Hayden, *American Law: An Introduction* (Oxford University Press, 3rd ed, 2017) 19.

<sup>266</sup> Kate Green, 'Hanne Petersen, Home Knitted Law. Norms and Values in Gendered Rule-Making' (1999) <<https://philpapers.org/rec/GREHPH>>.

Decisions are presumed to be accepted and followed as a result, and people who are impacted do not view them as the product of outside interference. Self-regulation and careful consideration of the interests of the group can coexist under reflexive legislation. Decisions should ideally be decided only based on arguments, not on the basis of political or economic power<sup>267</sup>. Teubner has suggested that CSR can serve to align a corporation with its surrounding environment, and that law can aid internal reflection processes<sup>268</sup>.

The role of legal concepts in CSR's normative evolution can also be considered. Several legal experts have debated the principles of law. The following brief discussion is based on a recent paper by a group of researchers from the University of Aarhus' Institute of Law. Principles of law are a form of legal norm that differs from other norms of a more specialised character due to their broad nature. They are core ideals expressed through the application of legislation. Some argue that legal concepts, ethics, and other values, such as welfare state values, have a close link<sup>269</sup>. Law principles can serve a variety of purposes, such as serving as a foundation for evaluating other more specific behaviours or norms, or as a deciding point of departure for the organisation of law into patterns. The principle of legality, for example, might be argued to be a fundamental legal principle, comprising a general obligation not only to prohibit discrimination but also to take steps to remedy inequity<sup>270</sup>. Because of the importance of human rights in CSR, it is also worth emphasising that human rights can be seen as a common legal basis, as well as a guiding principle in many third-world development programmes<sup>271</sup>.

Besides informal sources as discussed above, Governments also can regulate aspects of CSR which takes several forms and comes from a range of regulatory organisations at various levels. As a starting point, government regulation can take the shape of formal, binding legislation or recommendations with a directing impact but no legal standing. Public regulation can be issued by bodies at the local (municipal),

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<sup>267</sup> Jørgen Dalberg-Larsen, 'Hvad Udgør Rettens kerne-Retsafgørelser, Retsregler Eller Retsprincipper?' (2004) *Om Retsprincipper*. Djøf Forlag 11, 48; Hanne Petersen, *Informel Ret På Kvindearbejdspladser: En Retsteoretisk Og Empirisk Analyse*. (1991).

<sup>268</sup> Klaus J Hopt and Gunther Teubner, *Corporate Governance and Directors' Liabilities: Legal, Economic, and Sociological Analyses on Corporate Social Responsibility* (Walter de Gruyter, 1985) 149, 77.

<sup>269</sup> Jørgen Dalberg-Larsen and Kristiansen B.L., 'Indledning' in Jørgen Dalberg-Larsen (eds), *Om Retsprincipper* (Copenhagen, 2004) 1, 10.

<sup>270</sup> *Ibid* 181, 205.

<sup>271</sup> Buhmann (n 211) 202.

regional (sub-state), national, supranational (e.g. EU), and international (e.g. OECD, UN, and specialised organisations having regulatory powers, such as ILO and UNICEF) levels. Determining when a rule from a public regulatory body relates to CSR poses a challenge, especially in discerning whether government regulation on a CSR topic qualifies as CSR regulation. Clarifying this distinction is crucial for effectively addressing corporate social responsibility issues.

While it is widely recognized that CSR often exceeds legal mandates, this perception can sometimes lead to challenges and misunderstandings, hindering broader CSR implementation goals. Even when legal requirements are narrowly interpreted, questions arise regarding whether certain regulations, like anti-discrimination laws or minimum age requirements, should be considered part of CSR or simply basic compliance. These complexities warrant careful consideration, although space constraints prevent a comprehensive exploration of additional examples.

Instead of the formal understanding of CSR action that goes beyond legal requirements, several legislative measures are already being referred to as CSR legislation by various players. Various governments in the EU and internationally are enacting national legislation on CSR reporting. Belgium, Germany, the United Kingdom, and Sweden all passed laws in 2001-2002 requiring pension organisations to publish or inform on how social, environmental, and ethical factors are factored into investment portfolios<sup>272</sup>. Danish legislation has obliged certain polluting enterprises to keep and publish environmental accounts as “green accounts,” Act on Environmental Protection, Section 35a) since 1995. In the late 1990s, legislation was passed in Belgium, the Netherlands, Norway, and Sweden mandating environmental information to be published in the annual accounts of (certain types of) enterprises<sup>273</sup>. In 2001, the Danish Act on Annual Accounts was changed to compel certain types of firms to report on main 4 elements: (1) Company information in general, (2) Directors' report, (3) Resource consumption report, (4) Auditors' opinion<sup>274</sup>. This reporting will be at a high level, with only the information needed to present an accurate and fair picture of the company's assets and liabilities, financial status, and yearly results. It will not

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<sup>272</sup> Buhmann (n 211) 195.

<sup>273</sup> CSR Europe et al, *Investing in Responsible Business: The 2003 Survey of European Fund Managers, Financial Analysts, and Investor Relations Officers* <<https://cgov.pt/images/ficheiros/2018/ISR-2003.pdf>>.

<sup>274</sup> Lars Vedso, ‘Compulsory Green Reporting in Denmark-from 1996’ (1996) 16(1) *Social and Environmental Accountability Journal* 7, 8.

constitute a significant step toward CSR reporting standards. Outside of the EU, Australia has enacted legislation requiring financial advisers and investment product providers to disclose SRI products, as well as other CS. In recent years, some legislative efforts have also been indicated to as CSR legislations that had been passed in the United States in response to corporate governance problems. While municipal, regional, and national regulation may address companies directly, supranational legislation may do so (if approved in the form of a regulation as defined by Article 249(2) of the European Commission, but it may also address national governments (if issued in the form of a directive). The OECD's Multinational Enterprise Guidelines<sup>275</sup> are precisely what they claim they are: non-binding guidelines. Governments make these suggestions, which targeted corporations. Corporate compliance with the Guidelines is voluntary and not enforceable by law. In terms of regulation, they are aimed at encouraging firms to engage in self-regulation. Despite the lack of a legally binding impact for businesses, the UN has set out on a path that arguably could lead eventually to binding regulation, most likely through national legislation, but eventually through international law with an officially legally binding effect for corporations.

The United Nations Millennium Declaration, approved by the United Nations General Assembly in 2000, commits UN member states to "create strong partnerships with the business sector and civil society organisations in pursuit of development and poverty eradication"<sup>276</sup>. Governments have pledged to improving corporate environmental and social responsibility and accountability under the Plan of Implementation announced at the Johannesburg Summit in 2002<sup>277</sup>. The UN Norms on Transnational Corporations and Other Business Enterprises' Human Rights Responsibilities are a model of an effort that, if implemented as a legally binding instrument, might eventually impose international law duties on corporations. If this occurs – although there are no strong indicators that it will at the time of writing – the consequence will be a legally

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<sup>275</sup> OECD, *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (OECD Publishing, 2023) 55 <<https://doi.org/10.1787/81f92357-en>>.

<sup>276</sup> United Nations General Assembly, *Draft United Nations Millennium Declaration* (September 18, 2000) <<http://www.worldlii.org/int/other/UNGA/2000/47.pdf>>.

<sup>277</sup> United Nations, *Report of the World Summit on Sustainable Development* (Report, 2002) 1, 173< n0263693.pdf (un.org)>.

binding government regulation developed at the international level and ratified by states and addressed to companies.

Before discussing the CSR activities of businesses in Australia and Pakistan, this research presents their CSR laws and guidelines in the following sections.

### 3.3 CSR in Australia

Australia's economy, with an economic freedom score of 82.4, ranks third in the 2021 Index<sup>278</sup>. The government spending score has decreased, which is primarily to blame for the 0.2-point decline in its overall score. Out of 40 countries, Australia is ranked third in the Asia-Pacific region, and its overall score is higher than the mean for the region and the world. Australia's high economic freedom score and its overall ranking reflect on its market and regulatory landscape might shape CSR practices within the country's business environment. Higher economic freedom typically correlates with reduced regulatory constraints, which can encourage businesses to adopt CSR practices more voluntarily rather than due to government mandates<sup>279</sup>.

Australia's political stability supports established and transparent political processes, a strong legal framework, efficient government, and an autonomous bureaucracy. The legal system is impartial and self-contained. Government regulations against bribery and corruption are well implemented.

CSR regulation in Australia has largely been achieved through "soft" legal efforts. This section of the thesis looks at the legislative requirements that require corporate directors to consider the interests of stakeholders other than shareholders, albeit only briefly. The part analyses the most important 'light touch' regulatory measures at the national and international levels Australia is adhering to. The numerous regulatory standards overlap significantly, and businesses in Australia may participate in multiple voluntary social and environmental projects<sup>280</sup>.

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<sup>278</sup> 'Economic Freedom in Australia' <[https://amcham.com.au/web/web/Information/CEO\\_Message/Economic%20Freedom%20in%20Australia.aspx](https://amcham.com.au/web/web/Information/CEO_Message/Economic%20Freedom%20in%20Australia.aspx)>.

<sup>279</sup> Asan Vernyuy Wirba, 'Corporate Social Responsibility (CSR): The Role of Government in Promoting CSR' (2024) 15(2) *Journal of the Knowledge Economy* 7428, 7429.

<sup>280</sup> Helén Anderson and Ingrid Landau, 'Corporate Social Responsibility in Australia: A Review' (2006) *Social Science Research Network* 21 <<https://doi.org/10.2139/ssrn.1027845>>.

The primary law that controls the responsibilities of directors is the Corporations Act 2001 (Cth). There are two sections of the Act that are typically seen to be responsible for enhancing corporate social responsibility reporting. Section 1013D (1) of the Act requires superannuation, life insurance, and managed funds to disclose how much they take ethical, social, and labour considerations into account when making investment decisions<sup>281</sup>. Companies are required to provide details about violations of environmental laws and licences in their annual reports under Section 299(1)(f)<sup>282</sup>. Beyond that, however, there is disagreement about how far Australian business boards can consider the interests of stakeholders other than their immediate shareholders.

In addition to the Corporations Act, several laws place additional obligations on businesses and their directors regarding workers and the environment. For instance, businesses must pay employees at least the minimum wage<sup>283</sup> and they must adhere to workplace health and safety regulations<sup>284</sup>, anti-discrimination and equal opportunity requirements<sup>285</sup>. Companies must also adhere to a slew of environmental regulations<sup>286</sup>. Australia's primary environmental legislation is known as the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)<sup>287</sup>. This law aims to identify and protect nationally significant animals, plants, habitats, and areas by thoroughly assessing potential adverse effects before approving land use changes or new developments.

The Department of Agriculture, Water, and the Environment oversees the environmental assessment and approval procedures outlined in the EPBC Act. Additionally, many proposed projects and activities must comply with laws established by state, territory, or local governments.

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<sup>281</sup> Australian Securities and Investments Commission, REGULATORY GUIDE 65: Section 1013DA Disclosure Guidelines (November 2011) <<https://download.asic.gov.au/media/1239069/rg65-published-30-november-2011.pdf>>.

<sup>282</sup> Geoffrey R Frost and Linda English, 'Mandatory Corporate Environmental Reporting in Australia: Contested Introduction Belies Effectiveness of its Application' (2002) 299(1) *Australian Review of Public Affairs Digest*.

<sup>283</sup> *Workplace Relations Act* 1996 (Cth).

<sup>284</sup> *Occupational Health and Safety Act* 2004 (Vic); *Occupational Health and Safety* (Commonwealth Employment) Act 1991 (Cth).

<sup>285</sup> *Equal Opportunity Act* 1995 (Vic).

<sup>286</sup> *Environment Protection Act* 1970 (Vic).

<sup>287</sup> 'Environment Assessments: How State and Federal Governments Work Together – DCCEEW' (June 11, 2023) <<https://www.dcceew.gov.au/environment/epbc/state-federal-government-working-together#victoria>>.



To enhance efficiency, the department collaborates closely with state and territory authorities to streamline the regulatory process.

Of all the Governmental CSR initiatives the Prime Minister's Business Community Partnership is the most well-known<sup>288</sup>. A group of prominent Australians from the business and community sectors founded The Partnership (formerly known as the Corporate Round Table) in 1998 with the goals of fostering corporate giving and CSR, fostering community-business relationships, and serving as a think tank on philanthropic issues. It does this via three main avenues of action: promoting community-business partnerships and the business rationale for corporate social responsibility; facilitating information exchanges; and recognising excellent CSR through an awards programme. The Prime Minister's definition of corporate citizenship is extremely limited, focusing mostly on corporate philanthropy<sup>289</sup>. The Prime Minister's Awards for Excellence in Community Business Partnerships, which are separated into three categories: small, medium, and large business, and presented at the state and territory level as well as at the national level, are another government effort<sup>290</sup>.

The Australian Stock Exchange (ASX) published the ASX Principles on Corporate Governance and Best Practice Recommendations in 2003. These guidelines are proposed to direct openly traded companies in their corporate governance practises<sup>291</sup>. Although the principles are optional, companies that choose not to adopt them are required to provide an explanation to investors and ASX. Among all the recommendations, three of them are related to CSR as follows:

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<sup>288</sup> 'Corporate Social Responsibility: Discussion Paper / Corporations and Markets Advisory Committee - Catalogue | National Library of Australia' <<https://catalogue.nla.gov.au/catalog/3600276>>; *Corporate Responsibility: Managing Risk and Creating Value* (2006).

<sup>289</sup> Mark Glazebrook, 'How Australia's Top 500 Companies are Becoming Corporate Citizens' in *Perspectives on Corporate Citizenship*, (Green Leaf, 2001) 152, 153.

<sup>290</sup> 'Prime Minister's Community Business Partnership Award Winners – Western Australia | Former Ministers and Parliamentary Secretaries' (October 30, 2003) <<https://formerministers.dss.gov.au/3100/prime-ministers-community-business-partnership-award-winners-western-australia/>>.

<sup>291</sup> J Fox, 'ASX Corporate Governance Council Review of 'Corporate Governance Principles and Recommendations' (2014) 66(3) *Governance Directions: Journal of Governance Institute of Australia Ltd* 142, 146<<https://www.semanticscholar.org/paper/ASX-Corporate-Governance-Council-review-of-and-Fox/78226f55a119cdcead5be902a304167ab2ff7888>>.

Principle 3: Encourage making morally sound and responsible decisions; Principles 7 and 10: Acknowledge and manage risk and stakeholders' legitimate interests, respectively<sup>292</sup>.

Other programmes are tailored to a particular sector. The Australian Minerals Industry Framework for Sustainable Development, "Enduring Value," was created by the Minerals Council of Australia (MCA) in 2004. Enrolment in the framework is a requirement for membership in the MCA. Signatories are required to assess the protocols for handling major operational risks and make sustainability data based on GRI indicators available to the public<sup>293</sup>.

Many popular Australian indices are used to rank companies according on their CSR performance. First, the Good Reputation Index (GRI) of The Age/Sydney Morning Herald rates Australia's top 100 companies based on their success in the market, management and ethics, employee relations, and social and environmental impact. Based on their reputation, the top 100 Australian companies are determined by the GRI (selected from the annual list of the top 1000 organisations by Business Review Weekly magazine). Key stakeholders' feedback determines the rankings for each category. In Australia, RepuTex's Social Responsibility Grading is a second significant rating system. RepuTex, an independent research organisation, rates the top 100 Australian companies in four categories related to corporate social responsibility: workplace standards, social impact, environmental impact, and corporate governance. Another indicator is the Australian Sustainable Asset Management (SAM) Index (AUSSI). Australia's biggest publicly traded companies are invited to take part in a "corporate sustainability assessment" by SAM, which was established in 2005. Finally, the St James Ethics Centre developed the Corporate Responsibility Index (CRI) in 2004, in which member firms agree to be publicly assessed on non-financial performance. The CRI, on the other hand, continues to have a low level of involvement.

Several reporting guidelines have been developed expressly for Australian businesses. The Department of the Environment and Heritage published 'Triple Bottom Line Reporting in Australia: A Guide to Reporting against Environmental

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<sup>292</sup> Helen L. Anderson and Ingrid Landau, 'Corporate Social Responsibility in Australia: A Review' (2006) 5 *Monash U. Department of Business Law & Taxation Research Paper* 1, 16.

<sup>293</sup> Fuisz-Kehrbach, Sonja-Katrin, 'A Three-Dimensional Framework to Explore Corporate Sustainability Activities in the Mining Industry: Current Status and Challenges Ahead' (2015) 46(1) *Resources Policy* 101.

Indicators' in 2003 as a guide for public environmental reporting. In 2004, the Department of Family and Community Services published a draught guidance to help businesses report on their social impacts<sup>294</sup>. These both recommendations are based on OECD, ILO, and UN policies and principles, as well as the International Global Reporting Initiative guidelines. Australian companies with significant operations are required to report on modern slavery risks and actions taken to address these issues under the Modern Slavery Act<sup>295</sup>. This has led to increased transparency regarding supply chain practices as this will enable them to demonstrate a culture and commitment to compliance and, in particular, to good corporate governance, as well as avoid reputational damage from any actual or perceived failure of theirs to address the problem. It will also help them fulfil any legal obligations occurring – such as those specified in the Commonwealth Modern Slavery Act 2018 (Cth)<sup>296</sup>.

As a result, there is virtually limited mandated CSR in Australia, as well as mandatory reporting of CSR efforts. The Parliamentary Joint Committee determined that no changes to directors' responsibilities were required, and that the voluntary approach to sustainability reporting should be maintained<sup>297</sup>. It proposed that “although in the committee’s view it is not appropriate to mandate the consideration of stakeholder interests into directors’ duties, there is a need to consider seriously options to encourage greater uptake and disclosure of corporate responsibility activities”<sup>298</sup>.

The study "Giving Australia: Research on Australian Philanthropy," which was recently conducted and included in the Parliamentary Joint Committee report, found that business giving in 2003–04 more than doubled from 2000–01 to 2003–04; over 525,000 businesses, or 67% of all businesses, donated \$3.3 billion in cash, goods, services, and time during that period. The Prime Minister's Community Partnerships

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<sup>294</sup> Department of the Environment and Heritage, *Triple B Bottom Line Reporting in Australia: A Guide to Reporting Against Environmental Indicators* (Reporting Commonwealth of Australia, June 2003) 3, 68. <CustomO16C45F42151.pdf (greenbiz.com)>.

<sup>295</sup> HollyAnn Walters-Quan, 'Modern Slavery Law in Australia,' *Pinsent Masons* (Online, May 2, 2024) <<https://www.pinsentmasons.com/out-law/guides/modern-slavery-law-in-australia>>.

<sup>296</sup> HollyAnn Walters-Quan, 'Modern Slavery Law in Australia,' *Pinsent Masons* (Online, May 2024) <<https://www.pinsentmasons.com/out-law/guides/modern-slavery-law-in-australia>>.

<sup>297</sup> 'Corporate Social Responsibility: Discussion Paper / Corporations and Markets Advisory Committee - Catalogue | National Library of Australia' <<https://catalogue.nla.gov.au/catalog/3600276>>; *Corporate Responsibility: Managing Risk and Creating Value* (2006).

<sup>298</sup> Parliamentary Joint Committee on Corporations and Financial Services, *Corporate Responsibility: Managing Risk and Creating Value* (Report, 2006) 1, 141.

Program provided funding for the report, which was overseen by the Australian Council of Social Service<sup>299</sup>.

Kabanoff and Brown (2005) (from Anderson and Landau, 2006) looked through CEO or Managing Director letters in company annual reports to see if the level of attention devoted to CSR by Australian companies has improved in the last ten years. The study's hypothesis was that the emphasis that companies place on CSR is reflected in how much attention it gets in the CEO or Managing Director's report. ASX listed companies from 1993 to 2003 and among them which companies published not less than one annual report during that time period were included in the authors' survey. The overall number of businesses was over 1,000. Kabanoff and Brown discovered that the amount of attention paid to CSR in annual reports did not follow a straightforward trend of rise or decrease. They contended, however, that their findings indicated that organisations that are financially successful spend more attention to CSR<sup>300</sup>.

KPMG investigated the rates of sustainability reporting in Australia and around the world<sup>301</sup>. There has been a considerable increase in the rate of 'sustainability reporting' in Australia, according to the study. Only six of Australia's top 500 corporations published sustainability reports in 1995. In 2000, there were 65 companies (13%) and in 2005, there were 199 companies (24%)<sup>302</sup>. However, according to KPMG, the number of Australian corporations who prepare sustainability reports remains low when compared to other developed countries<sup>303</sup>. Some Australian studies have attempted to analyse the extent to which rates of CSR adoption, as well as the sorts of practises embraced, vary depending on the company's characteristics, based on findings from the international literature. Organisational size, industry group, degree of international participation and legal framework, country and culture, product orientation, organisational success, and managers' demographics and personal traits

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<sup>299</sup> Ibid 16.

<sup>300</sup> Anderson and Landau (n 254) 16.

<sup>301</sup> Ans Kolk et al, *KPMG International Survey of Corporate Responsibility Reporting 2005* (Report, 2005) <[http://www.theiafm.org/publications/243\\_International\\_Survey\\_Corporate\\_Responsibility\\_2005.pdf](http://www.theiafm.org/publications/243_International_Survey_Corporate_Responsibility_2005.pdf)>.

<sup>302</sup> KPMG and Rob Hogarth, *Submission by KPMG to Parliamentary Joint Committee on Corporations and Financial Services on Inquiry into Corporate Responsibility* (September 30, 2005) <[https://www.aph.gov.au/~media/wopapub/senate/committee/corporations\\_ctte/completed\\_inquiries/2004\\_07/corporate\\_responsibility/submissions/sub53\\_pdf.ashx](https://www.aph.gov.au/~media/wopapub/senate/committee/corporations_ctte/completed_inquiries/2004_07/corporate_responsibility/submissions/sub53_pdf.ashx)>.

<sup>303</sup> KPMG, *Sustainability reporting survey: Australian insights* (KPMG, 2023) <Sustainability reporting survey: Australian insights - KPMG Australia>.

have all been highlighted as potential factors of CSR commitment<sup>304</sup>. Batten and Birch discovered that responses differed according to industry group, degree of foreign participation, and legal structure in their 2001 study of 93 of Australia's largest private and publicly listed firms' attitudes toward, and practises of, corporate citizenship<sup>305</sup>. To begin with, primary sector corporations (mostly those in the agricultural and mining sectors) differed from tertiary sector corporations (those in retail and financial services) in that they advertised community investments in both annual reports and newspapers (as opposed to just annual reports for the tertiary sector) and they 'focused their investments' to a greater degree<sup>306</sup>.

This is consistent with primary sector firms engaging in more stakeholder conversation about corporate citizenship than their tertiary sector counterparts<sup>307</sup>. The 2004 RepuTex Social Responsibility Ratings corroborate these findings. In terms of CSR reporting, RepuTex discovered that heavy industrial and extractive industries fared reasonably well. Government enterprises, local subsidiaries of foreign listed multinational firms, and ASX listed companies were also deemed to be the greatest CSR achievers<sup>308</sup>. Additionally, Batten and Birch found that firms characterized by greater "international involvement"—meaning those exclusively selling goods or services within the Australian market, as opposed to those solely operating within Australia—were more inclined to disclose their CSR investments and support international community organisations financially<sup>309</sup>. Finally, Batten and Birch discovered that organisations with diverse legal structures functions quite differently. Publicly traded companies, especially, were more likely to use a broader range of ways to publicise their investments, reply to appeal mail, and have formal and publicly visible systems in place to handle community investments<sup>310</sup>.

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<sup>304</sup> Ali M Quazi, 'Identifying the Determinants of Corporate Managers' Perceived Social Obligations' (2003) 41(9) *Management Decision* 822.

<sup>305</sup> Peter A. Stanwick and Sarah D. Stanwick. 'The Relationship Between Corporate Social Performance, and Organizational Size, Financial Performance, and Environmental Performance: An Empirical Examination' (1998) 17(1) *Journal of Business Ethics* 195, 204.

<sup>306</sup> Jonathan A Batten and David Birch, 'Defining Corporate Citizenship: Evidence from Australia' (2005) 11(3) *Asia Pacific Business Review* 293.

<sup>307</sup> *Ibid.*

<sup>308</sup> Paula O'Brien et al, *Corporate Social Responsibility and the Corporations Act 2001* (2005) <[https://www.aph.gov.au/~media/wopapub/senate/committee/corporations\\_ctte/completed\\_inquiries/2004\\_07/corporate\\_responsibility/submissions/sub66\\_pdf.ashx](https://www.aph.gov.au/~media/wopapub/senate/committee/corporations_ctte/completed_inquiries/2004_07/corporate_responsibility/submissions/sub66_pdf.ashx)>.

<sup>309</sup> Batten and Birch (n 266) 293.

<sup>310</sup> Anderson and Landau (n 254) 1.

Companies in Australia are rapidly reacting to calls to recognise their responsibility to stakeholders other than their shareholders, according to reports. However, it's unclear how they've reacted and to what extent they've reacted. The extent to which many Australian corporations have gone beyond the rhetoric of CSR to really managing their businesses in a more socially responsible manner remains a source of much scepticism<sup>311</sup>.

CSR policies are being developed by Australian businesses. About half of Australia's large business organisations have policies related to community involvement, societal accountability, or stakeholder involvement, according to the poll. Over the past decade, more than half of these businesses have implemented such policies. Cronin and Zappalà discovered that just over 70% of the organisations assessed had CCI policies in their survey of Australia's top 100 enterprises (measured by revenue and of which 59 percent replied) in 2001<sup>312</sup>.

Australian corporations have implemented a variety of CSR-related projects. Including CSR into mission or policy statements; corporate ethics programmes; 'green' policies; employment policies; buyer focus, security, safety, and care; quality and environmental measures; new advertising standards; social and environmental reporting; charity; voluntary work; employee volunteering; 'gift matching' programmes; mass education programmes; collaborations with NPOs (non-profit organisations) are just a few of the initiatives<sup>313</sup>.

Many Australian firms incorporate human rights requirements mandated by Australian law into their CSR plans. Some Australian businesses go above and above the legal requirements of their home country to join in voluntary CSR and human rights projects such as the United Nations Global Compact and the Global Reporting Initiative.

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<sup>311</sup> Meredith Jones, Shelley Marshall and Richard Mitchell, 'Corporate Social Responsibility and The Management of Labour in two Australian Mining Industry Companies' (2007) 15(1) *Corporate Governance: An International Review* 57, Pinpoint; Richard Mitchell, Anthony O'Donnell and Ian Ramsay, 'Shareholder Value and Employee Interests: Intersections Between Corporate Governance, Corporate Law and Labor Law' (2005) 23(3) *Wisconsin International Law Journal* 417; Hugh Grossman, 'Redefining the Role of the Corporation: The Impact of Corporate Social Responsibility on Shareholder Primacy Theory' (2005) 10 *Deakin Law Review* 572; Bryan Horrigan, 'Fault Lines in the Intersection Between Corporate Governance and Social Responsibility' (2002) 25(2) *University of New South Wales Law Journal* 515.

<sup>312</sup> Caitlin Cronin and Gianni Zappalà, 'The Coming of Age of Corporate Community Involvement: An Examination of Trends in Australia's Top Companies' (Working Paper No 6, Research and Social Policy Team, The Smith Family, 2002) 6.

<sup>313</sup> Veronika Peters, *Taking the First Steps: An Overview Corporate Social Responsibility in Australia* (State Chamber of Commerce, NSW, 2001) 11.

The Australian Human Rights Commission (the Commission) is Australia's national human rights organisation, responsible for overseeing the implementation of various international human rights standards that the Australian government has committed to.

Previously, the Commission's initiatives have addressed many aspects of corporate responsibility and the connections between corporate activity and human rights, particularly in relation to labour rights, workplace practises, and resource development on Indigenous land. The following are some instances of the Commission's work:

- *Good Practice: Good Business* – a collection of tools that offer practical advice for businesses on how to eliminate workplace discrimination and harassment.
- *It is About Time: Women, Men, Work and Family* – a project looking into the need for a new framework to help people strike a better balance between paid work and family obligations.
- *Access to electronic commerce* – a project aimed at making electronic financial services more accessible to older Australians and Australians with disabilities, particularly through the adoption of voluntary banking industry standards.
- *Development and Indigenous Land: A Human Rights Approach* – a set of principles developed by a forum of Indigenous people from Australia's major mineral resource regions to address resource development on Indigenous land.
- *Corporate Social Responsibility, Native Title and Agreement Making* – a report that examines the policy of eight major mining companies in Australia and suggests measures that firms should take in relation to Indigenous peoples' rights and interests<sup>314</sup>.

Furthermore, the connection between commercial activity and human rights is a major aspect of the Commission's daily work. This includes handling grievances pertaining to discrimination in the workplace or in the supply of products or services; assessing company requests for exemptions from anti-discrimination laws; and taking part in legal proceedings concerning human rights lawsuits brought against companies.

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<sup>314</sup> Our Work, *Australian Human Rights Commission* (2011) <<https://humanrights.gov.au/our-work>>.

### 3.4 CSR Rules and Guidelines in Pakistan

Pakistan is a growing country that was once a part of India (Indo-Pak) and governed by the British for 90 years (1857-1947). Pakistan borders India on the east. Iran is situated on the west side. On the north side of Pakistan is China. Afghanistan is situated on the north-west side of the country and on the south is the Arabian Sea. Pakistan has a total size of 796, 095 square kilometres and experiences a variety of meteorological conditions, including frigid in the north, moderate in the north-west, and scorching and dry in the rest of the country<sup>315</sup>.

Both governmental and non-governmental organisations in Pakistan are increasingly demanding responsibility and transparency in business activities<sup>316</sup>. As a result of this growing demand, firms may be compelled to engage in socially responsible actions and then disclose them. In some developing nations, such as Bangladesh, rising need for liability and openness in corporate activities has led in reporting on the techniques used to address societal and environmental challenges<sup>317</sup>. The requirements of Pakistan's government (namely, regulatory institutions) and non-government groups to handle the social and environmental issues linked with companies are explored below.

To some extent, Pakistan's legislative and institutional structure pretends to manage the most important societal and environmental features of business performance, for example child labour, the anticipation of slavery, and forced labour (The constitution of Pakistan Article 11); the right to form and partner with unions and trade organisations (The constitution of Pakistan Article, 17); the prohibition of gender discernment (The constitution of Pakistan, Article 25 (2); the provision for harmless, non-violent working environments (The constitution of Pakistan Article, 37(e); and the

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<sup>315</sup> 'Pakistan - The World Factbook' <<https://www.cia.gov/the-world-factbook/countries/pakistan/>>.

<sup>316</sup> 'Pakistani Regulation (General Order: SRO 983(I)) Requires Public Companies to Disclose Corporate Social Responsibility (CSR) Activities | Green Finance Platform' (2009) <<https://www.greenfinanceplatform.org/policies-and-regulations/pakistani-regulation-general-order-sro-983i-requires-public-companies>>; Sehr Hussain-Khaliq, 'Eliminating Child Labour from the Sialkot Soccer Ball Industr: Two Industry-Led Approaches' (2004) 13(1) *Journal of Corporate Citizenship* 101, 107.

<sup>317</sup> Ataur Rahman Belal and David Owen, 'The Views of Corporate Managers on the Current State of, and Future Prospects for, Social Reporting in Bangladesh' (2007) 20(3) *Accounting, Auditing & Accountability* 472 <<https://doi.org/10.1108/09513570710748599>>; Muhammad Azizul Islam and Craig Deegan, 'Motivations for an Organisation within a Developing Country to Report Social Responsibility Information' (2008) 21(6) *Accounting, Auditing & Accountability* 850.



provision of social safety and security, well-being, and old age benefits<sup>318</sup>; and the security of environmental and customers and consumers rights (The constitution of Pakistan, Article 9(a). Concerning labour issues there are some laws, they are: the Factories Act 1934, the Mines Act 1923, the Workmen 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.

These rules and regulations are put into effect by The Ministry of Labour and Manpower of Pakistan (MLM). The most important environmental laws are the Environmental Protection Act 1997, the Pakistan Penal Code 1860, and the Factory Act 1934<sup>319</sup>. Certain guidelines and standards have been set under these laws and regulations to preserve the environment, including pollution and hazardous waste control. These laws are carried out by the Environmental Protection Agency (EPA), that works under the Pakistan Ministry of Climate Change's department. The following are the important laws that safeguard consumers' rights: the Price Control Act 1977 and the Consumer Protection Act 1995, which deals with concerns such as product pricing, quality, and quantity, among other things. The federal and provincial consumer councils are in charge of enforcing consumer protection laws at the federal and provincial levels, respectively<sup>320</sup>. Rather than mandating firms to provide evidence regarding the steps considered to safeguard labour, environmental, and consumer rights, the rules stated above entail businesses to make sure a safe workplace, protect the environment, and defend consumers' rights. The Companies Ordinance 1984, the International Financial Reporting Standards (IFRS), the Accounting and Financial Reporting Standards (AFRS), and the Code of Corporate Governance make up Pakistan's legal framework, which focuses on company disclosure<sup>321</sup>. The Companies Ordinance of 1984 mandates that registered businesses declare and maintain proper

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<sup>318</sup> Sabur Ghayur, 'Labour Market Issues in Pakistan: Unemployment, Working Conditions, and Child Labour' (1996) 35(4) *The Pakistan Development Review* 789, 803.

<sup>319</sup> *The Pakistan Environmental Protection Act 1997* (Cth); *The Pakistan Penal Code 1860* (Cth); *The Factories Act 1934* (Cth).

<sup>320</sup> Afzaal Amin et al, *The Tale of Consumer Protection Laws in Pakistan*, vol 48 (journal-article, December 2021) <<https://johuns.net/index.php/publishing/281.pdf>>.

<sup>321</sup> Securities & Exchange Commission of Pakistan (SECP Website), 'The Company Law Division | SECP,' *Securities & Exchange Commission of Pakistan (SECP Website)* <<https://www.secp.gov.pk/?s=The+company+law+division>>.

books of accounts, including balance sheets, income statements, and cash flow statements<sup>322</sup>.

The International Financial Reporting Standards are accounting standards that large, publicly traded firms in Pakistan use to keep track of their finances. Small and medium businesses, on the other hand, use the Accounting and Financial Reporting Standards (AFRS) produced by the Institute of Chartered Accountants of Pakistan (ICAP) to keep track of their finances<sup>323</sup>. The SECP designed Corporate Governance Codes to safeguard the interests of minority shareholders, and they primarily targeting listed businesses in Pakistan. Overall, SECP is responsible for ensuring that listed, public non-listed, and private enterprises with paid-up capital of more over Rs. 7.5 million comply with regulatory obligations when disclosing information (see SECP, 2014)<sup>324</sup>. It also ensures that corporations promptly distribute annual and interim reports to shareholders. Members of the ICAP are chartered accountants (CAs). Their job is to assess the accounts of companies. After the assessment, they submit a report to the SECP in order to determine whether they are compliant with reporting rules. The SECP takes legal action against enterprises that do not comply with the regulatory standards which are presented by the CAs in the report (SECP, 2014)<sup>325</sup>. The SECP has introduced a law, the CSR Order of 2009, which mandates that companies disclose information about their CSR activities, Pakistan's regulatory framework primarily emphasises financial information reporting and gives limited attention to the social and environmental performance's disclosure. The CSR Order 2009 simply covers the general topics that a company may include in its annual report to express its CSR performance<sup>326</sup> rather than establishing the structure of a company's CSR report and metrics to be published, as is the case with financial reporting, to demonstrate accountability to a broader set of stakeholders than shareholders.

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<sup>322</sup> KPMG Taseer Hadi & Co., *A Brief on the Companies Act 2017* (Cth).

<sup>323</sup> Securities & Exchange Commission of Pakistan (SECP Website), 'Securities & Exchange Commission of Pakistan (SECP),' Securities & Exchange Commission of Pakistan (SECP Website) (March 17, 2021) <<https://www.secp.gov.pk/>>.

<sup>324</sup> Ibid.

<sup>325</sup> Ibid.

<sup>326</sup> Khurram Ashfaq and Zhang Rui, 'Revisiting the Relationship Between Corporate Governance and Corporate Social and Environmental Disclosure Practices in Pakistan' (2019) 15(1) *Social Responsibility Journal* 90, 119.

### 3.4.1 Enforcement of Pakistani Laws

The previous section highlights that while Pakistan's legal framework acknowledges consumer, labour, and environmental rights, the enforcement of these protections is often inadequate. Critics argue that the country lacks robust mechanisms to safeguard consumer rights and mitigate pollution effectively, pointing to a significant gap between legislation and practical implementation<sup>327</sup>. It has also been alleged that the government of Pakistan has not enough capacity (and occasionally the political inclination) to monitor firms' social and environmental performance<sup>328</sup>. Furthermore, as a result of pervasive corruption in the country, some law implementation officers have been discovered to be involved in granting undue favour to businesses, which could provide a barrier to businesses complying with social and environmental rules in Pakistan<sup>329</sup>. As previously stated, there are various causes for Pakistan's poor enforcement of social and environmental standards. Therefore, there is less possibility that companies will adhere to the essence of the rules on the protection of labour, environmental, and consumer rights due to the prevalence of inadequate law enforcement procedures which leaves room for intentional or intended forms of CSR in the country. In terms of disclosing CSR, this can be also anticipated that firms have less intention to implement the CSR Order 2009, which compels companies to provide all the information on their activities related to CSR in annual reports because of Pakistan's ineffective law enforcement procedures. Unlike the GRI reporting guidelines, which require corporations to follow a particular style of reporting and indicators to be stated as CSR, this regulation requires companies to submit broad CSR information<sup>330</sup>. CSR Order 2009, GRI 3.1 (2011), in contrast, mandates enterprises to keep records and disclose their social, financial, and environmental performance, as well as three categories of information (policy, management method,

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<sup>327</sup> Jaseem Ahmad, 'From Principles to Practice: Exploring Corporate Social Responsibility in Pakistan' (2006) 24(1) *Journal of Corporate Citizenship* 115, 129.

<sup>328</sup> Peter Lund-Thomsen, Aisha Mansur and Hina Lotia 'Corporate social responsibility and sustainability of Donor-Financed Interventions in the South: The case of Pakistan' in Mahad Huniche & Esben Pedersen (ed), *Corporate Citizenship in Developing Countries* (Copenhagen Business School Press, 2006); Mahmood A Khwaja, 'Environment Challenges and Constraints to Policy Issues for Sustainable Industrial Development in Pakistan' (2012) *Sustainable Development Policy Institute* 1,8.

<sup>329</sup> Peter Lund-Thomsen, Aisha Mansur and Hina Lotia 'Corporate social responsibility and sustainability of Donor-Financed Interventions in the South: The case of Pakistan' in Mahad Huniche & Esben Pedersen (ed), *Corporate Citizenship in Developing Countries* (Copenhagen Business School Press, 2006) 114.

<sup>330</sup> GRI, *Sustainability Reporting Guidelines* (2000) <<http://www.interlycees.lu/site/wp-content/uploads/2010/01/GRI-G31-Guidelines-2011.pdf>>.

and performance) about each issue. As a result, the CSR Order 2009 leaves it up to companies to decide whether or not to submit CSR data, which could lead to inconsistencies in CSR reporting in Pakistan.

### 3.4.2 Roles of Non-Governmental Institutions

Research has found a link between a company's contact with CSR-promoting entities (such as membership in national clean industry programmes) and its sustainability reporting<sup>331</sup>. There are some non-governmental organisations (NGOs) that particularly deal with promoting CSR. These organisations for example the Corporate Social Responsibility Centre of Pakistan (CSRCP), the International Labour Organization (ILO), the United Nations Global Compact (UNGC), CSR Pakistan, the Worldwide Funds (WWF), the Leadership for Environment and Development (LEAD), the Triple Bottom Line (TBL), and others have stepped in to promote CSR in Pakistan.

The International Labour Organization (ILO) is a non-governmental organisation that develops labour standards to defend worldwide accepted labour rights (ILO, 2014)<sup>332</sup>. In addition, the International Labor Organization (ILO) has 185 members, including Pakistan (ILO, 2013)<sup>333</sup>. Pakistan's government has authorized 36 ILO agreements, which are international labour standards<sup>334</sup>. This could act as a source of pressure on corporations doing business in Pakistan to fix their labour-associated noncompliance with the ILO agreements.

Since 2007, the self-governing CSR network 'CSR Pakistan' was functioning in Pakistan, raising awareness of environmental and societal issues through the exchange of opinions and experiences, as well as disclosing the involvements of other organisations through seminars, workshops, and further forums. In addition, 26 major Pakistani firms had membership in this network. For unknown reason this organisation is not working anymore. Another framework for CSR informing CSR is the CSRCP, which raises consciousness about issues related to CSR and

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<sup>331</sup> Luis Perez-Batres et al, 'Why Do Firms Engage in National Sustainability Programs and Transparent Sustainability Reporting?' (2012) 52(1) *Management International Review* 107,136.

<sup>332</sup> Mission and Impact of the ILO, *International Labour Organization* (January 28, 2024) <<https://www.ilo.org/about-ilo/mission-and-impact-ilo>>.

<sup>333</sup> Member States, *International Labour Organization* (January 28, 2024) <<https://www.ilo.org/about-ilo/how-ilo-works/member-states>>.

<sup>334</sup> 'Ratifications of ILO Conventions: Ratifications for Pakistan' <[https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200\\_COUNTRY\\_ID:103166](https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:103166)>

reporting of CSR activities<sup>335</sup>. It does research on CSR issues and offers training and consulting on CSR to businesses and non-profits alike. This CSR network has twenty-seven national and global companies in Pakistan as members<sup>336</sup>.

The UNGC is the biggest voluntary strategic policy effort in the world, with 8700 firms from 130 countries committed to aligning corporate operations with UNGC principles in the areas of labour, human rights, the environment, and anti-corruption. Furthermore, this network hosts workshops, seminars, webinars, and other discussion events to promote UNGC values, as well as discussions with its corporate members on effective business practises. This network has 125 companies in Pakistan as members<sup>337</sup>.

The WWF is a global network that works to raise consciousness about issues for instance climate change, global warming, unsustainable natural resource use, and the vulnerability of rare species in more than 100 countries<sup>338</sup>. The WWF has more than 300 corporate members in Pakistan<sup>339</sup>. In addition, the WWF developed the 'Environmental Reporting Award' in 2002 in collaboration with the ACCA Pakistan to promote environmental reporting in Pakistani businesses<sup>340</sup>.

The Triple Bottom Line (TBL) initiative, which began in 2008, aims to disseminate CSR information by publishing a CSR-related publication every two months written by a group of authors from 65 local and foreign countries who specialise in CSR research, practise, and consultation<sup>341</sup>. This network is well-known in Pakistan, since it ranks in the top 10 results for CSR-related queries<sup>342</sup>.

A non-governmental organisation (NGO) called Leadership for Environment and Development (LEAD) aims to build and support a global platform of leaders obligated to sustainable and balanced development. LEAD operates in 12 countries,

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<sup>335</sup> 'What We Do – CSRPC' <<https://csrpc.com/what-we-do/>>.

<sup>336</sup> Ibid.

<sup>337</sup> 'Global Compact Network Pakistan – Global Compact Network Pakistan' <<https://www.gcn.org.pk/global-compact-network-pakistan/>>.

<sup>338</sup> 'WWF Conserves Our Planet, Habitats, & Species like the Panda &' <<https://www.wwpak.org/>>.

<sup>339</sup> Corporate Engagement, WWF <[https://www.wwpak.org/take\\_action/corporate\\_engagement/](https://www.wwpak.org/take_action/corporate_engagement/)>.

<sup>340</sup> Meryem Altaf, Corporate sustainability: The Role of Co-Creation of Value by Multiple Stakeholders in the Food and Beverage Sector of Pakistan (Doctoral dissertation, Newcastle University, 2021).

<sup>341</sup> Muhammad Arshed Rafiq, 'Corporate Triple Bottom Line Reporting in Pakistan' (web Page, 2007) <<https://www.tbl.com.pk/corporate-triple-bottom-line-reporting-in-pakistan/>>

<sup>342</sup> Ibid.

including Pakistan, with over 2,200 members globally, of which 220 are from Pakistan<sup>343</sup>.

Another NGO, the Cleaner Production Institute (CPI) used to promote a green industrial environment by focusing on energy and resource efficiency. Several industry associations in Pakistan were members of the CPI. Some of them were the Pakistan Pulp, Paper, and Board Mills Association (PPPBMA), the Pakistan Tanners Association (PTA), the Pakistan Sugar Mills Association (PSMA), and the All-Pakistan Textile Processing Mill Association (APTPMA). Currently this organisation is also not active.

There are some other organisations in addition to the NGOs mentioned above for example the CSR Association of Pakistan and The National Forum for Environment and Health (NFEH) work to raise awareness about societal and environmental issues such as climate change, carbon emissions, health and wellbeing, education. It is important to note that significant number of businesses are members of these NGOs<sup>344</sup>. The NFEH has given awards to corporations in Pakistan in appreciation of their societal and environmental contributions for example the Environmental Excellence Award, the Corporate Social Responsibility Excellence Award<sup>345</sup>. The concern is whether these non-profit CSR advocacy groups will be capable of having a substantial effect on corporate social and environmental practises. This may be contingent on their capability to persuade firms to identify the social and environmental issues that they raise<sup>346</sup>. Despite the abundance of some non-governmental CSR promoting organisations in many developing countries such as Bangladesh and Mexico are a big source of pressure for corporations that are playing an important role in addressing their related social and environmental issues and the revelation of this<sup>347</sup>.

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<sup>343</sup> Muhammad Imran et al, 'Environmental Education and Women: Voices from Pakistan' (2021) 11(2) *SAGE Open* 215824402110094 <<https://journals.sagepub.com/doi/full/10.1177/21582440211009469>>.

<sup>344</sup> SICPA Pakistan, 'Sustainability: Pakistan CSR Awards' (Web Page, 2024) <<https://www.sicpa.com/sustainability/pakistan-csr-awards>>.

<sup>345</sup> Asad Naeem, '36 Companies to Get CSR Business Excellence Award 2012,' *Brecorder* (Online, March 26, 2012) <<https://www.brecorder.com/news/50766>>.

<sup>346</sup> Ataur Rahman Belal and David L Owen, 'The Views of Corporate Managers on the Current State of, and Future Prospects for, Social Reporting in Bangladesh: An Engagement-Based Study' (2007) 20(3) *Accounting, Auditing & Accountability Journal* 472, 494.

<sup>347</sup> Muhammad Azizul Islam and Craig Deegan, 'Media Pressures and Corporate Disclosure of Social Responsibility Performance Information: A Study of Two Global Clothing and Sports Retail Companies' (2011) 40(2) *Accounting and Business Research* 131, 148; Luis Perez-Batres et al (n291) 136.

### 3.4.3 Why Should Companies Engage in CSR?

Even in the absence of compulsory legal requirements, companies in both Australia and Pakistan are increasingly prioritising CSR for several reasons:

1. **Reputation and Brand Image:** CSR enhances corporate reputation, allowing companies to build stronger relationships with customers, employees, and communities. A positive CSR image can improve customer loyalty and brand equity<sup>348</sup>.
2. **Risk Management:** CSR helps companies manage social and environmental risks, which could otherwise harm their business. For example, engaging in CSR can reduce the risk of reputational damage, legal disputes, and community backlash<sup>349</sup>.
3. **Investor and Stakeholder Pressure:** Investors, particularly those focused on ethical and sustainable investing, increasingly demand that companies demonstrate responsible behavior. As ESG reporting gains prominence, businesses are under pressure to incorporate CSR into their broader governance strategies<sup>350</sup>.
4. **Competitive Advantage:** Companies that lead in CSR can differentiate themselves in the marketplace, attracting customers, talent, and partnerships. In markets where sustainability and ethics are becoming more important, CSR offers a strategic advantage<sup>351</sup>.
5. **Regulatory Preparedness:** While CSR is currently voluntary in these countries, there is growing global pressure for stricter sustainability and ethical regulations. Companies that invest in CSR now may be better prepared to meet future legal requirements or international standards<sup>352</sup>.

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<sup>348</sup> Archie B. Carroll and Kareem M. Shabana, 'The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice' (2010) 12(1) *International Journal of Management Reviews* 85, 87.

<sup>349</sup> Robert G. Eccles, Linda-Eling Lee and Judith C. Strohle, 'The Social Origins of ESG: An Analysis of Innovest and KLD' (2020) 33(4) *Organization & Environment* 575.

<sup>350</sup> Gunnar Friede, Timo Busch and Alexander Bassen, 'ESG and Financial Performance: Aggregated Evidence from More Than 2000 Empirical Studies' (2015) 5(4) *Journal of sustainable finance & investment* 210.

<sup>351</sup> Mark R. Kramer and Michael E. Porter, 'Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility' (2006) 84(12) *Harvard Business Review* 78, 92.

<sup>352</sup> Philipp Krueger et al, 'The Effects of Mandatory ESG Disclosure Around the World' (2021) *Journal of Accounting Research* 1, 13.

The discussion above shows that even though CSR is not legally mandated in Australia and Pakistan, it remains a vital strategy for businesses. The potential benefits in terms of risk management, reputation building, investor relations, and competitive advantage provide strong incentives for companies to voluntarily engage in CSR.

### **3.5 Summary**

This chapter discussed factors that drive companies' CSR activities. Effect of human rights and environmental protection - amongst others - on corporate social responsibilities are then highlighted as they have been identified as a most important focus of the CSR. This chapter also discussed laws and guidelines of CSR which includes international and national CSR rules and regulations in Pakistan and Australia. Thus, this chapter answers the following sub-research questions:

- What are the implications of non-compliance with CSR regulations, including potential penalties and criminal consequences?

To note again the main research questions are:

- What are the impacts of Australian RMG companies on CSR activities of Pakistani clothing businesses?
- How do international CSR guidelines and standards impact the CSR practices of RMG companies in Pakistan and Australia?

As there is no previous research that investigated the impacts of Australian RMG companies on the CSR activities of Pakistani clothing businesses and the impacts of Pakistani rules and regulations on the CSR activities of RMG organisations within the country the author collected empirical data. This thesis will analyse and discuss CSR activities relying on existing literature. For data collection and analyzation, the author adopted proper methods which are broadly discussed in Chapter 5. The following chapter delves into the development of the conceptual framework for this study.



# **Chapter 4: Conceptual Framework and Proposition Development**

## **4.1 Introduction**

Building on the literature review of Corporate Social Responsibility (CSR) in Chapter Two and the analysis of CSR laws and guidelines in Chapter Three, this chapter focuses on developing the conceptual framework and research propositions for the study. Chapter Two provided a historical overview of CSR, along with various definitions, theories, and models, and explored how organizations across different industries implement CSR practices. Chapter Three discussed both national and international CSR laws and guidelines, with a specific focus on Pakistan and Australia. The literature review highlighted that CSR activities in Pakistan lag significantly behind those in Australia. Given the strong trade relationship between the two countries, particularly in the ready-made garment (RMG) sector, it is expected that Australian organizations exert some influence on CSR practices within Pakistani RMG manufacturers. This chapter formulates the conceptual framework and propositions by incorporating those anticipated effects, alongside CSR theories and the relevant regulatory environments in Australia and Pakistan. The chapter is organized as follows: section 4.2 addresses the study's context; section 4.3 provides a summary of key literature and theoretical perspectives on CSR; section 4.4 outlines the research questions and development of research propositions; and section 4.5 concludes the chapter with a summary.

## **4.2 Context of the Study**

The Focus of this study is on Australia and Pakistan. Australia represents the developed world on the other hand Pakistan is a developing country. As mentioned in the previous chapters there is a very good trade relationship between these two countries. Not only most of the big textile brands in Australia but also in the developed world source their products from Pakistan. Therefore, it is expected that companies from the developed world such as from Australia have some influence on CSR activities of Pakistani garment organisations.

### **Strict compliance requirements:**

From the previous chapter, it is clear that because of international rules and guidelines compliance is likely to boost textile exports of Pakistan by covering a variety of measurements, these include technological, safety, regulatory, product-specific, performance-associated, and societal and environmental requirements. Bigger companies, especially those concerned with their public image and reputation, develop their own codes of conduct which are in line with international guidelines. They also employ their own auditors for extra security and do not depend entirely on global accreditations like ISO. These companies are for example Ikea, Nike, Gap, Levi Strauss & Co., Disney, and Wal-Mart. Their individual standards and guidelines deal with competence, ability, safety, security, society and environment, child labour, equality and diversity, relevant legislation, and workplace environment, among other things. For example, Nike adheres to a Restricted Substance List policy that prohibits the utilization of heavy and harmful metals like azo dyes, cadmium and other chemical composites that are regarded detrimental to individuals and/or the environment. Given consumer demand and readiness to pay a premium for organically farmed cotton, other worldwide brands may insist on utilising it in their products. Disney, for example, follows a strict code of conduct that includes environmental protection and labour norms. Apart from them other buyers mostly follow ETI (Ethical Trading Initiatives) and ILO's (International Labour Organization) code of conducts. For that reason, organisations in Pakistan who produce products for these companies perform CSR activities differently. They are forced to follow them as compliance requirements are very strict. In the literature review, it has been discussed that concept of CSR is not very well known to the businesses in this country. Thus, it seems that companies practice CSR activities indirectly to attract the foreign such as Australian buyers. They promote that they are certified for quality, health & safety, and labour and environmental standards by third party organisations. However, evidence of direct CSR initiatives is lacking among organisations not directly engaged with foreign traders, albeit they may participate in the supply chain through informal subcontracting arrangements. In addition, they provide materials to the main suppliers.

International bodies ILO and ETI also work in partnership with some independent institutions and directly with the government of Pakistan to develop and implement ethical trade, Occupational Safety and Health, Decent Work and Labour Law. The

question is how effective they are for all RMG organisations in Pakistan. fire incidents persist, labour exploitation occurs, and environmental pollution persists among both organisations directly trading with foreign traders and those that are not.

### **Contribution to the economy:**

Australia-Pakistan two-way trade in goods and services was worth \$1.84 billion in 2019-20. A big contribution was by the Pakistani RMG industry. Pakistan exports of made textile articles, to Australia was \$110 Million during 2021<sup>353</sup>. This shows the economic linkages between Australia and Pakistan, especially in the textile sector. The export figure highlights the significance of trade flows in shaping bilateral economic relations that help contextualize the importance of the textile industry within broader trade patterns and Australian businesses' impact on CSR activities of Pakistani RMG organisations. Pakistani clothing manufacturers produce products for many world-famous brands such as Nike, Adidas, Puma, Reebok, H&M, GAP, C&A, Zara, Debenhams, BHS, Mothercare, Next, Selfridges, and Calvin Klein. The Australian government is also directly supporting Pakistan's economy. Particularly they are helping Pakistan to recover from the impacts of COVID-19 pandemic. Some of DFAT's (Department of Foreign Affairs and Trade) regional and global programs, as well as the work of other Australian Government agencies are continuously contributing to Pakistan's development.

## **4.3 Summary of Key Literature Review and Theoretical Perspective of CSR**

To gain a clear idea about corporate social responsibilities, the literature review of this study includes a brief history, definition, purposes, and objectives of CSR. It is evident that there are there still some areas of CSR which are not investigated yet and need more and research. For the purpose of this study some research gaps are identified which are discoursed in the following section.

### **4.3.1 Research Gap**

Despite the growing body of research on CSR, significant gaps remain, particularly in the context of developing countries like Pakistan. This section identifies the key areas

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<sup>353</sup> TRADING ECONOMICS, 'Pakistan Exports of Other Made Textile Articles, Sets, Worn Clothing to Australia - 2024 Data 2025 Forecast 2003-2022 Historical,' *TRADING ECONOMICS* <<https://tradingeconomics.com/pakistan/exports/australia/other-made-textile-articles-sets-worn-clothing>>.

where existing theories, research, and legal practices fall short, highlighting the need for a more comprehensive understanding of CSR implementation and its impact on the RMG industry.

The literature highlights the absence of a universally accepted definition of CSR. This lack of consensus has led to inconsistent CSR legislation globally. Theories like Carroll's Pyramid model are widely used but are often criticised for their applicability mainly to developed, Western countries. The model's hierarchical structure may not align with the priorities and needs of developing countries like Pakistan.

There is a lack of comparative studies examining CSR practices between developed and developing countries, particularly in the RMG industry. Existing research often focuses on CSR disclosure quality rather than the actual implementation and impact of CSR activities.

Limited research is available on CSR practices in specific sectors like the RMG industry in Pakistan and Australia. Most studies are generalised and do not account for industry-specific challenges and practices. The influence of international trade relationships on CSR practices in developing countries is underexplored. Specifically, how trade with developed countries like Australia impacts CSR activities in Pakistani RMG companies needs further investigation.

Research often overlooks the practical challenges and roadblocks faced by companies in adhering to CSR regulations, especially in developing countries with weak enforcement mechanisms. The role of international guidelines and standards in shaping national CSR practices is not thoroughly examined.

The literature also points out the inconsistent CSR legislation across different countries, which hinders the development of a cohesive global CSR framework. In Pakistan, the enforcement of existing laws related to labour, environment, and consumer rights is weak, leading to poor CSR practices.

There is a debate on the effectiveness of voluntary CSR initiatives versus mandatory regulations. Mandatory CSR legislation, as seen in some countries, may provide a more structured approach but also faces resistance from businesses. NGOs play a significant role in promoting CSR, but their influence varies widely. In Pakistan, NGOs are active in raising awareness but face challenges in enforcing CSR practices due to

limited resources and political constraints. In developing countries, CSR is often equated with corporate philanthropy, neglecting other important aspects like ethical practices and environmental sustainability. The literature highlights that philanthropic activities are more common, but there is a need for a broader understanding and implementation of CSR.

Since people's views on corporate social responsibility (CSR) are always shifting, it can be difficult to manage CSR effectively and make the correct decisions at the right times to support long-term organisational growth. There is a positive correlation between an organisation's financial performance and its CSR performance<sup>354</sup>. The company's social contribution may have an impact on the overall growth rate of its assets<sup>355</sup>. CSR initiatives may also have an impact on an organisation's reputation and capacity for long-term growth. According to a recent study, corporate social responsibility (CSR) can optimise business value and support the organisation's sustainable development<sup>356</sup>. Therefore, sustainable development and CSR are closely associated and discussed in the current literature. In Australia, government, businesses are quite aware of CSR on the other hand in Pakistan CSR is not noticeable at all.

As previously said, a growing amount of research on corporate social responsibility (CSR) has been carried out in industrialised countries covering a variety of topics; nevertheless, the situation in Asia remains mostly unknown. Many Asian nations, including Pakistan, are noted for being predominantly Muslim. These nations adhere to certain Islamic principles, which are tangentially related to corporate social responsibility. While this idea has been studied, more research is still needed to fully comprehend CSR<sup>357</sup>. China (among Asian nations) currently catches the attention of the scholars and has been identified as one of the best examples of CSR practice

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<sup>354</sup> Ibrahim Sameer, 'Impact of Corporate Social Responsibility on Organization's Financial Performance: Evidence from Maldives Public Limited Companies' (2021) 7(1) *Future Business Journal* 1.

<sup>355</sup> Sang Jun Cho, Chune Young Chung and Jason Young, 'Study on the Relationship Between CSR and Financial Performance' (2019) 11(2) *Sustainability* 343.

<sup>356</sup> Kyungtag Lee and Hyunchul Lee, 'How Does CSR Activity Affect Sustainable Growth and Value of Corporations? Evidence From Korea' (2019) 11(2) *Sustainability* 508.

<sup>357</sup> Mahmoud Amer, 'Systematic Review of Religiosity and Social Responsibility' (2024) 4(3) *Journal of Business and Socio-Economic Development* 254, 271.

among emerging economies<sup>358</sup>. However, no research has been done on the same in the South Asian regions.

#### 4.3.2 CSR Theories and laws

Fredrick from Agudelo et al. contends that the corporate community ought to be in charge of concurrently increasing social and economic value<sup>359</sup>. According to the author, corporate social responsibility (CSR) is the desire of a business to use its resources for social good in addition to increasing profit and company value. In the previous chapter it has been discussed that it is the company's responsibility to act responsibly, even if ethical perspectives define it as the company's discretion to do so. However, some authors contend that the corporation's responsibility extends beyond its financial, technological, and legal duties<sup>360</sup>. While some models and theories of CSR efficiently overlook the crucial role of various stakeholders connected to a firm, for example workers, dealers, contractors, consumers, the government and society at large, all of which simultaneously make contribution to the organisation's success, Carroll established the well-known CSR framework known as the Carroll CSR's pyramid. A framework proposed by Clarkson to define corporate objectives by asserting that "the survival and continuing profitability of the corporation depends upon its ability to fulfil its economic and social purpose, which is to create and distribute wealth or value sufficient to ensure that each primary stakeholder group continues as part of the corporation's stakeholder system"<sup>361</sup>. Therefore, CSR can establish close relationships with stakeholders, but there are still a lot of moving parts and variables.

There are some arguments of using the Carroll's pyramid model. Many scholars have disputed the CSR pyramid's layer order, claiming that it primarily applies to industrialised, western countries<sup>362</sup>. It has been found that the CSR elements are not the same for all countries and they vary from country to country. For example, CSR

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<sup>358</sup> Gaston Fornes et al, 'Best Practice Example of CSR and S&E Engagement in Emerging Economies: Analysis of A Case Study Based in China' (2019) 13(1) *Journal of Asia business studies* 133, 154.

<sup>359</sup> Mauricio Andrés Latapí Agudelo, Lára Jóhannsdóttir and Brynhildur Davídsdóttir, 'A Literature Review of the History and Evolution of Corporate Social Responsibility' (2019) 4(1) *International Journal of Corporate Social Responsibility* 1, 23.

<sup>360</sup> Lucia Gatti et al, 'Are we Moving Beyond Voluntary CSR? Exploring Theoretical and Managerial Implications of Mandatory CSR Resulting from the New Indian Companies act' (2019) 160(4) *Journal of Business Ethics* 961, 972.

<sup>361</sup> Okechukwu Itanyi and Wilfred I Ukpere, 'Stakeholder Relations Management as a Public Relations Tool for Socio-Economic Development in Nigeria' (2014) 5(10) *Mediterranean Journal of Social Sciences* 21, 21.

<sup>362</sup> Baden, Denise. "A reconstruction of Carroll's pyramid of corporate social responsibility for the 21st century." *International journal of corporate social responsibility* 1(1) (2016): 1, 15.

activities differ in developed and less developed or underdeveloped countries. Thus, scholars suggest that the arrangement of the CSR pyramid should be ranked by economic, philanthropic, legal, and ethical considerations hierarchically, from more urgent towards less urgent issues, based on the local needs and vulnerabilities of developing countries.

Regrettably, the stakeholders in developing nations have limited corporate social responsibility (CSR) beyond its altruistic aspects. For long-term, companies in emerging nations are concentrating their charitable efforts more on raising the standard of living for the populace<sup>363</sup>. So, it can be said that the CSR in developing countries is understood only by philanthropic dimension, there is no other element of CSR. This is very true in Pakistan. As this is a Muslim country, people in this country are engaged in a lot of charity activities from the religions point of view.

This study also discusses how different companies apply CSR to identify the differences of the CSR activities in different countries and different industries particularly in clothing industry. Given that the garment sector is labour-intensive, corporate social responsibility plays a significant role in the management of clothing companies. Research shows CSR practices in sweat shops are very poor<sup>364</sup>. In other industries, CSR starts to take form and is developing. New solutions are found and applied. Nevertheless, there are still many employers, especially among RMG organisations in Pakistan, whose knowledge about CSR is narrow or non-existent.

The preceding chapter discussed the various variables that motivate businesses to engage in CSR activities. From Carroll's pyramid model Businesses cannot ignore economic and legal responsibilities because their main intention is to maximise profit. In addition, businesses are legally bound to follow mandatory rules and regulations. However, enterprises, particularly in underdeveloped nations, for example in Pakistan, sometimes they have the purpose of disregarding other steps of the Carroll's pyramid model apart from the economic responsibility intentionally or unintentionally. As a result, countries enact rules and regulations to ensure that businesses properly evaluate these factors. Furthermore, the implications and outcomes of laws differ

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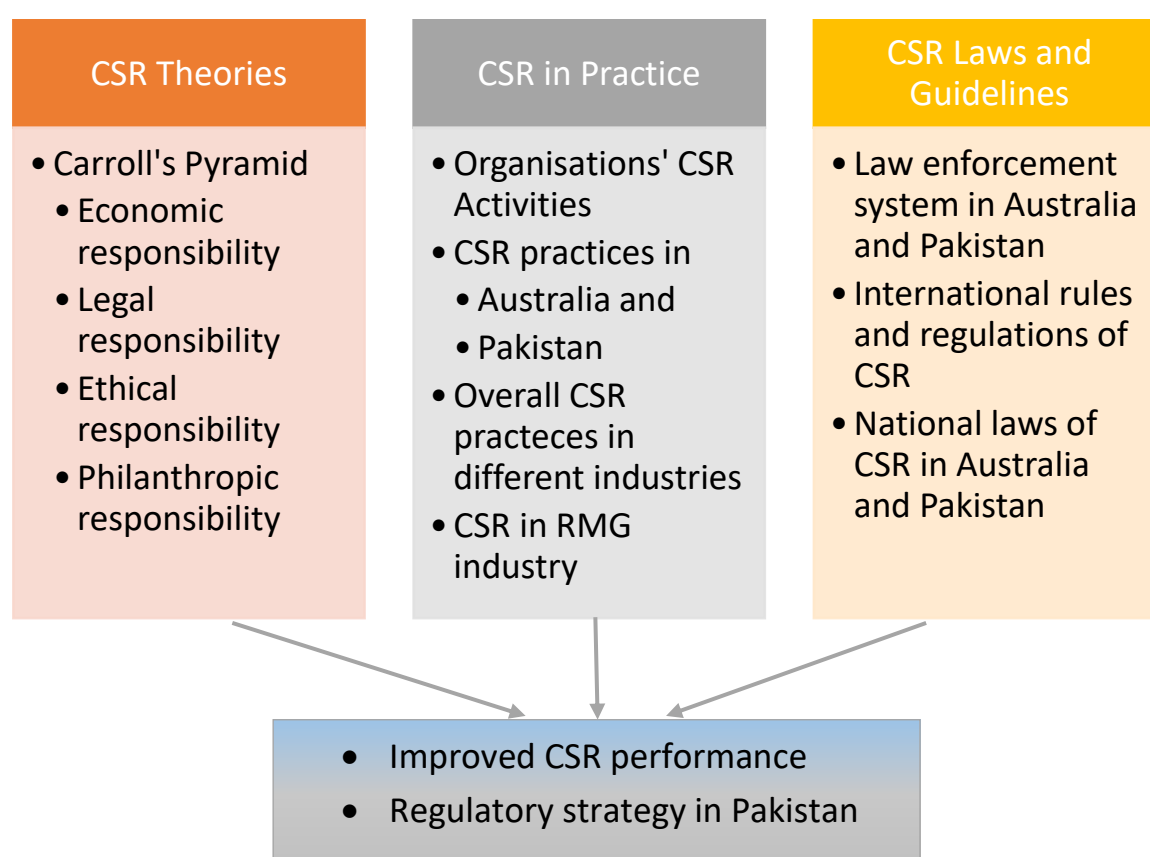
<sup>363</sup> Dima Jamali and Walaa El Safadi, 'Adaptations of CSR in the Context of Globalization the Case of the GCC' in George Yungchih Wang (eds), *Globalization* (IntechOpen, 2019) 123.

<sup>364</sup> Paulina Księżak, 'The CSR Challenges in the Clothing Industry' (2017) 3(2) *Journal of Corporate Responsibility and Leadership* 51 <<https://doi.org/10.12775/jcrl.2016.008>>.

between developing and developed countries. In Pakistan it seems that there is a lack of rules and regulations related to the CSR activities compared to Australia.

In a nutshell organisations' CSR activities are influenced by internal and external factors which can be summarised into CSR guidelines, governments' legal requirements and companies' urge to become sustainable. Carroll's Pyramid model addresses that companies should consider economic, legal, ethical and philanthropic activities step by step. But it is evident that some companies only focus on economic issues and try to ignore other responsibilities. Therefore, there are some international guidelines for companies to follow such as OECD guidelines, ILO code of conducts and also national laws and orders<sup>365</sup> to make sure that businesses are exercising CSR activities properly. Thus, this study considers CSR international guidelines, countries' laws and orders and Carroll's Pyramid model to investigate the effect of Australian companies and legal strategies on CSR activities of RMG organisations in Pakistan (Figure 3).

Figure 2: Conceptual Framework



<sup>365</sup> Habib Zaman Khan, Sudipta Bose and Raechel Johns, 'Regulatory Influences on CSR Practices within Banks in an Emerging Economy: Do Banks Merely Comply?' (2020) 71 *Critical Perspectives on Accounting* 102096.



## **4.4 Research Questions and Proposition Development**

In chapter 1 following main research questions of the study were articulated:

1. What are the existing regulations and legal frameworks governing CSR activities in the Pakistani readymade garment (RMG) industry?
2. How do these regulations compare with the CSR regulatory frameworks in Australia?
3. What are the key differences and similarities between the enforcement mechanisms, penalties, and incentives for CSR compliance in Pakistan and Australia?
4. What are the practical challenges and roadblocks faced by Pakistani RMG organisations in adhering to CSR regulations?
5. How do collaboration and partnerships with Australian garment companies influence the CSR practices of Pakistani RMG organisations?
6. What strategies can be recommended to improve the implementation and effectiveness of CSR initiatives in the Pakistani RMG industry, considering the regulatory landscape and international CSR guidelines?

These questions led to the following sub-questions.

1. What constitutes CSR and how has the concept evolved over time?
2. How do RMG organisations in different industries implement CSR practices, and are there sector-specific variations?
3. What theoretical frameworks can be used to analyse and evaluate CSR activities in organisations?
4. What are the implications of non-compliance with CSR regulations, including potential penalties and criminal consequences?
5. How do international CSR guidelines and standards impact the CSR practices of RMG companies in Pakistan and Australia?

To answer these research questions, the following propositions were explored.

Economic responsibilities of an organisation direct the organisation to be profitable for different reasons such as providing salaries and reinvestment funds as well payments to stakeholders such as dividends. It is expected that Pakistani companies are profitable organisations as they are producing products for Australian big brands. This is also making them attentive to revenues by optimizing their operations, innovating products and services, and effectively engaging with customers to maximize sales and revenue opportunities. But in the capitalist world, this is very natural that any business's (apart from non-profit organisations) main intention is to make a profit therefore it doesn't matter whom they are trading with. This means Australian organisations have no relationship with companies' economic responsibilities in Pakistan. So, the first proposition of the research is,

*P1: Australian businesses have no significant effects on Pakistani RMG organisations for being profitable.*

Secondly, the legal responsibilities of a company refer to the organisation's legal concerns. They should comply with all government rules and regulations. In addition, they are required to follow international standards and essential guidelines. All big brands in Australia have their own codes of conduct and they make sure that their supplying companies are following them properly. The most common codes among them are freedom of association, freely chosen employment, wages and benefits, workplace safety, and child labour. These are legal compliance requirements of Australian companies that have direct impacts on Pakistani RMG organisations. An Ethical Trading Initiative (ETI) Base Code<sup>366</sup> is founded on the conventions of the International Labour Organisation (ILO), Employment of Children Act 1991 Pakistan<sup>367</sup>, Pakistan Occupational Health and Safety Act 2018<sup>368</sup>, clearly explains requirements about wages, workplace safety and child labour restrictions and companies are bound to follow these rules. Unfortunately, companies in Pakistan rarely follow these rules. However, companies who are trading with big brands from

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<sup>366</sup> Ethical Trading Initiative, 'ETI Base Code' (Web Page, 2024) <<https://www.ethicaltrade.org/eti-base-code>>.

<sup>367</sup> National Assembly of Pakistan, 'The Gazette of Pakistan' (Web Page, 23 April 2012) <[https://na.gov.pk/uploads/documents/1335242011\\_887.pdf](https://na.gov.pk/uploads/documents/1335242011_887.pdf)>.

<sup>368</sup> Pakistan Chapter of the American Society of Safety Engineers, Pakistan Occupational Health and Safety Act 2018 (Draft, 2018) <<https://www.pec.org.pk/wp-content/uploads/2021/05/Pakistan-Occupational-Health-and-Safety-Act-2018-draft.pdf>>.

developed countries must officially comply with these guidelines otherwise they will not get orders from them. So, the second proposition of the research is:

*P2: Textile company compliance requirements between Australian and Pakistani RMG organisations has positive impacts on the legal responsibilities of Pakistani organisations.*

Thirdly, the requirements and standards for textile exports can be broadly categorised as (i) regulatory (safety, labelling, origin, or other); (ii) product-specific (durability, performance, appearance); (iii) customer-specific (physical, chemical, or other); (iv) social (labour, facility, and work environment); and (v) environmental<sup>369</sup>. Therefore, these can be categorised into three main variables namely environment, people and society. Therefore, it is expected that compliance has a positive impact on environment, people and the society. Companies arguably should behave ethically however in Pakistan it is hard because of corruptions. But labour codes of Australian brands apparently state that supplier companies are required to practice no discrimination and no corruption. Therefore, it is expected that Australian organisations have positive impact on Pakistani companies' ethical responsibilities. Thus, the third proposition of the research is:

*P3: Textile compliance between Australian and Pakistani RMG organisations has a significant effect on Pakistani companies' ethical responsibilities.*

Finally, it has been observed by the researcher that working with Australian companies has no significant effect on Pakistani companies' engagement in charitable activities. Also, there is no effect of laws on companies' philanthropic context. Philanthropic responsibility refers to a business's aim to actively make the world and society a better place. As there are no textile compliance, specific laws to guide companies' philanthropic activities, organisations both in Australia and Pakistan are likely to practice them voluntarily. So, the fourth proposition of the research is:

*P4: Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities.*

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<sup>369</sup> Salman Ehsan and Ayesha Khanum, 'Compliance with Global Quality Requirements in Pakistan's Export Sector' (2014) 19 *The Lahore Journal of Economics* 247.

## **4.5 Summary**

This chapter has developed the conceptual framework by discussing the context of the study. The main research questions were impersonated to investigate the CSR activities of readymade garment companies in Australia and Pakistan. In addition, this chapter developed propositions based on Carroll's model and legal policies to help in structuring the analysis in this research. The next chapter conceptualises the development of specific research methodologies to answer research question and meet the objectives of this study.

## 5. Research Methodology

### 5.1 Introduction

The methodology is a broad research strategy that outlines how the research should be conducted. “Methodology is the philosophical framework within which the research is conducted or the foundation upon which the research is based”<sup>370</sup>. It encompasses a set of beliefs and philosophical statements that shape the conception of the research questions and guide the selection of research methods. O’Leary describes methodology as the structure which is allied with a specific set of paradigmatic assumptions that are used to conduct research<sup>371</sup>. Research methodology is a crucial component of a thesis or research work that make sure alignment between the selected tools, procedures, and the essential philosophical framework.

The research methodology chapter provides a detailed explanation of the research methods, approaches, and designs used in the study. It justifies the researchers' choices by outlining the advantages and disadvantages of each approach, strategy, and design, considering their rational research applicability.

The steps in the methodology of this research are

- Selection of the appropriate philosophical and methodological approach
- Literature Review
- Identifying and selecting the sample
- Collection of the data, and
- Analysis

In Chapter 2, definition of CSR with its aim and objectives is followed by a brief description of the history of its development. Different CSR theories were critically discussed along with Stakeholder theory, Shareholder theory, Legitimacy theory and Carroll’s CSR pyramid model. This chapter also discusses how organisations in the world are practising CSR and the overall conditions of the RMG industry are described.

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<sup>370</sup> Tausif Mistry and Megha Rungta, ‘A Study on Effectiveness of Content Marketing in Brand Promotions’ (2020) 11(2) *International Journal of Management (IJM)* 310.

<sup>371</sup> Zina O’leary, *The Essential Guide to Doing Research* (Sage, 2004) 85.

In Chapter 3 CSR laws and guidelines were discussed considering international guidelines and local CSR rules and regulations in Australia and Pakistan.

This chapter describes the research methodology of this study. Section 5.2 discusses the philosophical view of this research. Section 5.3 explains the research strategy, 5.4 methodological Choice, 5.5 data collection and analysis techniques that are used in this study with justifications. Finally, section 5.6 explains the ethical consideration of this study followed by the chapter summary in section 5.7.

## 5.2 Philosophical Stance

To ensure a solid scientific foundation for future studies, it is crucial to first emphasise the fundamental techniques of research. The theoretical foundations of this thesis are primarily drawn from different CSR theories such as Stakeholders theory, Shareholders theory, Legitimacy theory, and Carroll's Pyramid Model, which provide a framework for understanding the key dynamics and relationships explored in the study. Specifically, the research draws upon Carroll's Pyramid. These theoretical perspectives underpin the analysis of CSR practices by the textile businesses in Australia and Pakistan. Classical research methodology is grounded in a specific philosophical theory, which in turn dictates the strategies and techniques used in the research<sup>372</sup>. Historically, two main classical approaches can be distinguished: positivism and interpretivism<sup>373</sup>.

Positivism operates on the premise that the future is predictable and controllable. It relies on our understanding of present and past events, identifying patterns and causal relationships to forecast future occurrences with precision through extrapolation. In contrast, interpretivism views the future as inherently unpredictable and chaotic. It suggests that forecasting or controlling future events is impossible, and understanding the future can only be achieved through intuitive approaches rather than empirical prediction<sup>374</sup>. In the positivist approach, the typical process involves reviewing the literature to establish a relevant theory and formulating hypotheses or propositions.

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<sup>372</sup> C Mbah and A Orji, 'Effect of Organic Inputs on Soil Properties, Heavy Metal Content and Maize Root Yield on Spent Engine Oil Contaminated Soil' (2010) 4(3) *International Journal of Natural and Applied Sciences*; Saunders, Lewis and Thornhill (n 16) 124.

<sup>373</sup> J Mingers, 'A Critique of Statistical Modelling in Management Science from a Critical Realist Perspective: Its Role within Multimethodology' (2006) 57(2) *Journal of the Operational Research Society* 202.

<sup>374</sup> Saunders, Lewis and Thornhill (n 16) 124.

These hypotheses are then statistically tested for associations or causality by deriving logical consequences that are evaluated against empirical evidence.

This study draws from the principles of both interpretivism and positivism philosophies as this study focuses on organisations' corporate social responsibilities which are not objectively determined but are socially constructed. At the same time, it analyses organisations' CSR practices numerically considering different types of businesses which are trading with Australia or other developed countries. The interpretive position is based on understanding and in-depth analysis. This study uses open questions and subsequent analysis of the results of interviews. Therefore, it follows the interpretivism philosophy. Simultaneously it evaluates laws and regulations based on previous and collected scaled/measurement of data and finds relationships statistically between different variables such as compliance, economic, ethical, legal, and philanthropic responsibilities considering positivism research philosophy.

### 5.3 Research Strategy

The present study is both exploratory and explanatory in nature, primarily aiming to explore CSR practices and laws within Australian and Pakistani clothing businesses by looking at individual participants' experiences in terms of CSR strategies and the application of CSR laws. The author chose an exploratory design for this study as the research conveyed here aimed to seek new insights and investigate CSR and its rules and regulations<sup>375</sup>, that is by depending deeply on people's and organisations' views about CSR. The exploratory design of the study provided flexibility and facilitated the ongoing discovery of new themes within the data<sup>376</sup>, the approach which was especially relevant for the under-researched contexts of Australia and Pakistan, contributing to a deeper understanding of CSR by incorporating aspects such as participants' emotional labour, socio-economic instabilities, and potential complications. Through the explanatory concept, this study determined the relationship among variables and tested hypotheses that were developed in the previous chapter. This research shows how the economic responsibilities of Carroll's

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<sup>375</sup> Colin Robson, *Real World Research: A Resource for Social Scientists and Practitioner-Researchers* by Colin Robson (Blackwell Publishers, 2<sup>nd</sup> ed., 2002) 29; Saunders, Lewis and Thornhill (n 16) 195.

<sup>376</sup> Bronwyn Davies, 'The Implications for Qualitative Research Methodology of the Struggle between the Individualised Subject of Phenomenology and the Emergent Multiplicities of the Poststructuralist Subject: The Problem of Agency' (2010) 1(1) *Reconceptualizing Educational Research Methodology* 54; Robert A Stebbins, *Exploratory Research in the Social Sciences* (Sage Publications, vol. 48, 2001) 18.

CSR model are related to the Australian and Pakistani textile organisations' profit maximisations. It also shows the impact of textile compliance on the different stakeholders of this industry in Australia and Pakistan.

Exploratory and explanatory research is conducted through a mixed methodological approach i.e., qualitative and quantitative, which are discussed in the next section. From the inception of the project and throughout the stages of designing, planning, and executing the study, the author's intention was to focus on RMG companies and elucidate their CSR activities. Moreover, this study intends to compare two cases in RMG industries in Australia and Pakistan to examine what is common and what is diverse across case investigations and their outcomes<sup>377</sup>. This study also sheds light on the individuals working in these businesses and investigates their views and opinions holistically to draw in-depth perceptions into areas or characteristics of CSR and laws as directed by each of the research questions, in addition, even with respect to research questions which look at the emergence and changes of CSR in terms of rules and regulations of CSR in Pakistan.

#### **5.4 Methodology: Mixed Method**

This research applied both the qualitative and quantitative approaches to the data collection and analysis process. According to Bell, Bryman and Harley, a mixed method provides more accurate and reliable data<sup>378</sup>. Particularly the qualitative method is utilised to figure out individuals' viewpoints, practices, behaviour, attitudes, and relations. It generates non-numerical data<sup>379</sup>. Qualitative research emphasises understanding participants' personal and unique experiences. It explores the meanings they attach to these experiences and the symbols or metaphors they use to describe them. This approach provides insight into how individuals perceive and interpret key concepts, offering a deeper understanding of their perspectives. However other scholars suggested that if there are approved resources then a researcher should accept combined strategies<sup>380</sup>.

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<sup>377</sup> Harley, Bryman and Harley (n 18) 586.

<sup>378</sup> Ibid.

<sup>379</sup> Roger Bougie and Uma Sekaran, *Research Methods for Business: A Skill-Building Approach* (John Wiley & Sons, Inc, 8<sup>th</sup> ed., 2019); Harley, Bryman and Harley (n 18) 586.

<sup>380</sup> Colin Robson, *Real World Research: A Resource for Social Scientists and Practitioner-Researchers* by Colin Robson. (Blackwell Publishers, 2<sup>nd</sup> ed., 2002) 168.



This study is about how organisations practise CSR activities and how the performances of organisations related to CSR differ when they are in different countries, particularly in developed and developing countries. It also identifies what roles organisations of a developed country can play to improve the CSR activities of businesses in a developing country. In addition, philanthropic and ethical behaviour is mostly qualitative in nature. All these are mainly qualitative analyses instead of quantitative ones. The quantitative methods precisely emphasise the quantification of data and a prudent control mechanism for experimental variables<sup>381</sup>. Quantitative research is employed to test the validity of existing theories and to analyse phenomena related to those theories. Quantitative methodology facilitates the collection of objective data, precise measurement, and statistical analysis offers the advantage of being able to generalise results to any population irrespective of size. Thus, it is possible to show very precisely the CSR practices of textile companies in Australia and Pakistan quantitatively by showing the effects and relationships of the variables within the confines of the hypotheses. This research consists of the analysis of both primary and secondary data. Qualitative data were analysed qualitatively, and quantitative data were analysed quantitatively.

In regard to the qualitative nature of this study qualitative research “embodies a view of social reality as a constantly shifting emergent property of individuals’ creation”<sup>382</sup>. This indicates that the reality that surrounds or shapes qualitative research is frequently created or built by the participants themselves, meaning that it is not always predefined in nature. Furthermore, the emergent character of qualitative research is demonstrated by the spontaneous adjustments of specific interview guide questions as well as changes to the research questions that serve as the study's compass. Even while research questions may have been developed before data collecting began, they are not improved and finalised until after all the data have been analysed<sup>383</sup>. Therefore, to see what is happening behind the scenes qualitative data collection process is more effective. Interviewees have the option to share all the relevant information which are directly not asked in the questionnaire. Moreover, this research considers the legal

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<sup>381</sup> Ponterotto, Joseph G. "Qualitative research in counseling psychology: A primer on research paradigms and philosophy of science." *Journal of counseling psychology* 52(2) (2005): 126.

<sup>382</sup> Emma Harely, Alan Bryman and Bill Harley, *Business Research Methods* (Oxford University Press, 6<sup>th</sup> ed., 2022) 27.

<sup>383</sup> John W Creswell, *Controversies in Mixed Methods Research*, vol. 1 (The Sage Handbook of Qualitative Research, 4<sup>th</sup> ed., 2011) 284.

perspectives of CSR. It is important to gather detailed information about an organisation's behaviour, limitations, surroundings and circumstances to observe its legal practices which are collected by applying a qualitative data collection process.

This research also formed and demonstrated propositions to determine the effect of Australian readymade garment organisations on Pakistani RMG companies. It shows how the economic responsibilities of Carroll's CSR model are related to the Australian and Pakistani textile organisations' profit maximisations. It also shows the impact of textile compliance on the different stakeholders of this industry in Australia and Pakistan. Therefore, qualitative and quantitative primary data was collected with both open and closed-ended questionnaire and analysed them descriptively, graphically, and statistically. The Researcher also collected qualitative secondary data and analysed them thematically. Thus, this research adopts both qualitative and quantitative methodologies with primary and secondary data collection methods. The following section describes what techniques were used to collect data and how they were analysed.

## **5.5 Data Collection: Primary and Secondary Data**

Data can be categorised in two types, primary and secondary data<sup>384</sup>. Secondary data are already there collected by someone else earlier and published. Primary data refers to those data that are gathered by the researcher him/herself. As it was mentioned before, in this study both primary and secondary data were utilised.

### **5.5.1 Secondary Data**

This research used secondary data by reviewing relevant literature and collecting filed data. Theoretical knowledge was covered by the literature review. This involves academic books, latest rules and regulations, newspaper reports and articles, journal articles, along with various online resources. They were collected from The Securities & Exchange Commission of Pakistan (SECP), VU library (Australia), the Australian Security Exchange (ASX), and online sources such as The Official Web Gateway to Pakistan, the Government portal of Australia, Google Scholar and VU electronic databases (Australia). Filed data incorporates CSR-related case laws, current CSR laws and Acts of Pakistan and Australia, and annual reports of businesses in these

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<sup>384</sup> David A Aaker et al, *Marketing Research* (John Wiley & Sons, 12<sup>th</sup> ed., 2016) 81.

two countries. Some incidents in Pakistan related to RMG industries were gathered from local and international newspapers and online portals such as Clean Clothes Campaign.

*Table 2:Source of Secondary Data Collection*

Source	Documents	Data
Australian Security Exchange	Annual Reports	Companies' CSR activities, Business performances, Clients, Financial summary.
The Securities & Exchange Commission of Pakistan (SECP)	Annual Reports	Companies' CSR activities, Business performances, Clients, Financial summary.
The Official Web Gateway to Pakistan	Government Reports	Human rights and environmental protection Laws and Acts, CSR rules and regulations.
Government portal of Australia	Government Reports	Human rights and environmental protection Laws and Acts, CSR rules and regulations.
ILO Website	ILO Conventions	Labour Codes, General Business Codes.
ETI Website	ETI Base Code	Internationally recognised code of labour practice.
Clean Clothes Campaign Website	Fashion's Problems, The International Safety Accord	Waste and pollution, Unclear supply chains, Unsafe workplaces, Different incidents in Pakistan.
OECD Website	CSR: Partners for Progress	Corporate Social Responsibility in a Global Economy, Stimulating Partnerships with Business at the Local Level, Linking Ethics and Finance to Foster Social Responsibility

A "Hard law," or black-letter approach has been adopted in this thesis which focused on case laws and other legal resources. This enabled the researcher to identify all the legal laws, regulations, or guidelines for CSR operating in Pakistan and Australia.

Black letter law is the route to comprehending the law in its actual form when research methodologies or researchers fail to present the genuine picture of the law through

"the meticulous examination and interpretation of positive or written law."<sup>385</sup> Black-letter law is intended to: "focus heavily, if not exclusively, upon the law itself as an internal self-sustaining set of principles which can be accessed through reading court judgments and statutes with little or no reference to the world outside the law" as well as "deriving principles and values from decided cases into a coherent framework"<sup>386</sup>.

A black-letter law approach is used by legal scholars to address questions such as: "What is the law?"<sup>387</sup> Chynoweth claimed that the black-letter law method is based on the idea that resolutions to all legal issues can be found within legal doctrines. This approach emphasises understanding the legal judgement and framework of laws by analysing and interpreting the pertinent legal doctrines<sup>388</sup>. Shazia Qureshi in 2015 contended that this method constitutes 'research-in-law' instead of 'research-about-law'<sup>389</sup>.

According to Desmond Manderson and Richard Mohr, the black-letter method is employed to understand and interpret statutes and case law<sup>390</sup>. Nelken and Thornton, stated that the black-letter approach focuses on studying "law in context" rather than merely examining law as it is written in books. This method supports to "open up the black box of legal culture"<sup>391</sup>. Serfontein and Waal identify the main legal records provided by authorised associations as: "constitutions, legislation, international law, case law, regulatory materials and administrative agency regulations and/or decisions and other documents that carry the force of the law"<sup>392</sup>. Further secondary resources consist of descriptions and clarifications of core legal bodies. These sources include

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<sup>385</sup> Campbell, Colin M., and Paul Wiles. "The study of law in society in Britain." *Law & Society Review* 10(4) (1976): 547-578, 578.

<sup>386</sup> Mike McConville, *Research Methods for Law* (Edinburgh University Press, 2017).

<sup>387</sup> Elda De Waal and Erika Serfontein, 'Advancing Student Research in Education Law' (2014) 28(5) *South African Journal of Higher Education* 1606.

<sup>388</sup> Qureshi, Shazia. "Research methodology in law and its application to women's human rights law." *J. Pol. Stud.* 22 (2015), 643.

<sup>389</sup> Shazia Qureshi, 'Research Methodology in Law and Its Application to Women's Human Rights Law' (2015) 22(2) *Journal of Political Studies* 629, 631.

<sup>390</sup> Manderson, Desmond, and Richard Mohr. "From oxymoron to intersection: An epidemiology of legal research." *Law Text Culture* 6 (2002): 159.

<sup>391</sup> Qureshi, Shazia. "Research methodology in law and its application to women's human rights law." *J. Pol. Stud.* 22 (2015): 629, 643.

<sup>392</sup> Elda De Waal and Erika Serfontein, 'Advancing Student Research in Education Law' (2014) 28(5) *South African Journal of Higher Education* 1593.

“legal encyclopaedias, textbooks, local/foreign law journals, relicts, foreign statutes /case law, newspapers, commentaries/opinions and interviews”<sup>393</sup>.

By using this research method, this research explored the existing laws and regulations to understand and explore the extent of CRS laws in the readymade garment industry of Pakistan and Australia.

### **5.5.2 Primary Data and Selection of the Sample**

To collect the primary and some secondary data it is important to select samples. Samples can be selected in different ways which are called sampling methods. Sampling techniques can be classified in two categories, probability sampling and non-probability sampling. In probability sampling, participants are unintentionally chosen and the chance, or probability of each case being chosen from the population is known and typically uniform across all cases. In contrast, in non-probability sampling, the sample is generated through a non-random process because of some factor that gives them the chance to participate in a study that others in the population do not have<sup>394</sup>. The study used a non-random sampling technique particularly the purposive sampling method as the sample is considered from preferred geographical areas, textile companies and their stakeholders, CSR related laws and cases were chosen to get the most effective, informative, and valid data. Interviews took place face to face.

Primary data was collected from fieldwork in the Pakistani readymade garment industries (RGI). There are 517 textile units in Pakistan<sup>395</sup>. The research covered the following geographical areas in Pakistan: Punjab, Lahore, and Karachi as most of the big clothing companies are based in these areas.

Due the time and resource limitations, it is not possible to collect information from all of these companies. Therefore, altogether 11 national and multinational RMG companies and their employees were selected from Pakistan which were easy to access for the researcher.

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<sup>393</sup> Oxford University, Legal Research and Mooting Skills Programme, *Sources of Information* (2024) <Sources of Information | Faculty of Law (ox.ac.uk)>.

<sup>394</sup> William Lawrence Neuman, *Social Research Methods: Quantitative and Qualitative Approaches* (Pearson, 7<sup>th</sup> ed., 2011) 248.

<sup>395</sup> International Finance Corporation, World Bank Group, *Textile (Value Addition) Sector Profile Pakistan* (Report, 2022) 2 <Textiles Sector - FDI Value Proposition - Pakistan (invest.gov.pk)>.

Listed textile companies in Pakistan are found firstly on the webpage of Lahore Industry (List of textile mills in Lahore (lahoreindustry.com), Pakistan Stock Exchange (Companies Listed on Pakistan Stock Exchange (pakstockexchange.com), Company List (Textile companies in Pakistan (companylist.org). Firstly, regional companies were found through the local companies' list website (Appendix 1) and then through the website of the Pakistan Stock Exchange, those companies were verified to make sure that they are listed companies (Appendix 2). Selected organisations manufacture different types of garment products for their buyer companies. Table 3 shows the type of sample organisations in Pakistan.

*Table 3: Sample of the study (Pakistan)*

Type of Business	Frequency
Clothing manufacturer	4
Men's clothing	1
Fresh and vintage clothing	2
knitted fabrics or knitted garments	1
Leather Garments	1
Female and Kids	2
Total	11

### **Collection of the Primary Data**

Participants were interviewed from selected organisations. Interviews can be categorized into structured, semi-structured, and unstructured interviews<sup>396</sup>. Structured interview utilises questionnaires on the basis of a prearranged and 'standardised' or similar set of questions, while in a semi-structured interview, the researcher covers different listed themes and questions although these may differ from interview to interview. This indicates that the researcher might skip certain questions in specific interviews, depending on the organisational context related to the research topic. Unstructured interviews are informal.

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<sup>396</sup> Ranjit Kumar, *Research Methodology: A Step-By-Step Guide for Beginners* (Sage, 3rd ed., 2011) 145.

A structured interview method was used with both open and close-ended questionnaires for interviewing selected textile companies' stakeholders to collect quantitative and qualitative data (Appendix 4). The researcher used five-point Likert scales for a close-ended questionnaire. In 1932 a Likert scale was developed by the social psychologist Rensis Likert. It is a questionnaire that contains a five-point or seven-point scale. The choices range from "Strongly Agree" to "Strongly Disagree" so the interviewer can get a holistic view of the participants' thoughts. There is a mid-point e.g., neither agree nor disagree, for those participants who are neutral on the topic or area<sup>397</sup>. There were also options for participants to make additional comments.

To develop the questionnaire the researcher conducted a pilot study in Pakistan. A pilot study is a preliminary, small-scale study which is conducted to test sample enlistment approaches, data collection mechanisms, research protocols, and other research procedures in arrangement for a larger study<sup>398</sup>. A pilot study is a crucial phase in a research project, carried out to detect prospective issues and deficiencies in the research instruments and protocols before they are used in the full-scale study. Furthermore, it can help members of the study team become familiar with the processes in the protocol and can support them find the effectiveness of the research tools, particularly data collection tools. Initially, questionnaires were developed based on the critical review of the literature and then finalized after the pilot study.

### **5.5.3 Research Propositions**

In Chapter 4, to answer the research questions, this study developed the following four propositions.

P1: Australian businesses have no significant effects on Pakistani RMG organisations for being profitable.

P2: Textile company compliance between Australian and Pakistani RMG organisations has positive impacts on the legal responsibilities of Pakistani organisations.

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<sup>397</sup> Tomoko Nemoto and David Beglar, 'Developing Likert-Scale Questionnaires' (2014) *JALT 2013 Conference Proceedings* 1, 8.

<sup>398</sup> Zailinawati Hassan, 'Peter Schattner and Danielle Mazza, 'Doing a Pilot Study: Why Is It Essential?' (2006) 1(2-3) *Malaysian Family Physician: The Official Journal of The Academy of Family Physicians of Malaysia* 70.

P3: Textile compliance between Australian and Pakistani RMG organisations has a significant effect on Pakistani companies' ethical responsibilities.

P4: Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities.

#### 5.5.4 Design of the Variables: Guided by the Literature Review

To establish the propositions above this study considered some variables which were mentioned in the previous chapter. These variables were identified from the literature review that mainly helped to collect and analyse data. According to Carroll's CSR pyramid model, four types of business responsibilities are economic, legal, ethical and philanthropic<sup>399</sup>. To operationalise these concepts Profit Maximisation, Attentive to Revenue, Freedom of association, freely chosen employment, Wages and benefits, Workplace safety, Child labour, Discrimination, Bribery or corruption, Donation, Charity, and Community support variables were used. The questionnaire that was used for the interview was basically formed based on the above variables. They also allowed the researcher to gather particular information to establish the research propositions. The table below summarises these variables.

*Table 4: Variables used to study the CSR activities of Pakistani RMG organisations.*

Variables	Measures
Economic responsibilities <ul style="list-style-type: none"> <li>• Profit Maximisation</li> <li>• Attentive to Revenue</li> </ul>	Measure profitability of readymade garment organisations that are trading and not trading with Australian companies.
Legal responsibilities <ul style="list-style-type: none"> <li>• Freedom of association</li> <li>• Freely chosen employment</li> <li>• Wages and benefits</li> <li>• Workplace safety</li> <li>• Child labour</li> </ul>	Companies in Pakistan - allow freedom of association, freely chosen employment, provide better wages and benefits, maintain workplace safety, and do not include child labour because of buyer companies from Australia.
Ethical responsibilities <ul style="list-style-type: none"> <li>• Discrimination</li> <li>• Bribery or corruption</li> </ul>	Companies in Pakistan - do not allow employee discrimination and any type of corruption because of buyer companies from Australia.
Philanthropic responsibilities <ul style="list-style-type: none"> <li>• Donation</li> <li>• Charity event</li> </ul>	Measure charity activities of readymade garment organisations that are trading and not trading with Australian companies.

<sup>399</sup> Archie B Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(4) *Business Horizons* 39, 48.



- |                     |  |
|---------------------|--|
| • Community support |  |
|---------------------|--|

#### Profit Maximisation and Attentive to Revenue:

Carroll's CSR Pyramid Model suggests companies be responsible for being profitable organisations as this can benefit a variety of stakeholders<sup>400</sup>. Every business is focused on maximising profitability as a core objective, aiming to secure financial gains for itself and its shareholders. This pursuit of profit makes sure that the company remains viable and can provide returns on investments made by its stakeholders. Shareholders are akin to the foundation stones of a company, providing the essential capital and support upon which the business is built. If their interests are not properly addressed, the company may struggle to survive. They are the true owners of the company, rather than society at large<sup>401</sup>. So, businesses are attentive to making revenue and maximising profit.

#### Freedom of association:

Protected by Article 11 of the Human Rights Act 1998, freedom of association safeguards individuals' right to join and form groups. This right encompasses the freedom to engage in discussions on various topics and to advocate for and defend the interests of group members.

#### Freely chosen employment:

Employees should have the freedom to leave their employer after providing reasonable notice and should not be required to make deposits or payments to their employers. There must be no forced, bonded, or involuntary labour.

#### Wages and benefits:

Employees are entitled to get living wages and all other benefits such as sick pay, maternity and paternity leaves, paid holidays, etc.

#### Workplace safety:

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<sup>400</sup> Brin and Nehme (n 134) 22.

<sup>401</sup> Shiv K Gupta, 'The Purpose of Business: Profit Maximization versus Corporate Citizens' (2008) *Proceedings of the Academy of Business Economics* 1-2.

Worker safety, also known as occupational health and safety, involves providing a secure working environment, safe equipment, and effective policies and procedures to ensure the health and safety of employees.

Child labour:

The term “child labour” is frequently identified as a job that robs children’s childhood, capability, and dignity, and that is detrimental to their mental and physical development<sup>402</sup>.

Discrimination:

Discrimination occurs when a boss, manager or owner treats one of their employees less favourably than other employees within the organisation. This might involve a female member of staff receiving lower pay than a male colleague for the same role or a worker from an ethnic minority background being denied training opportunities available to other staff members.

Bribery or corruption:

Corruption involves dishonest or fraudulent behaviour by those in positions of power, often including bribery. Bribery refers to the act of offering, giving, or receiving something of value with the intention of influencing someone's actions or rewarding them for their actions.

Donation:

Charity event, and Community support: Companies are often linked to charitable donations, with many businesses supporting specific charities that align with their interests or industry. They organise or support different charity events locally or internationally. Sometimes businesses target only to support local communities when they are in need.

### **5.5.5 Data Analysis**

This study uses a triangulation process to obtain better findings. Triangulation involves using data collected through various instruments and, crucially, the researcher’s effort to integrate and interpret these data. This approach helps to balance the weaknesses

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<sup>402</sup> Brice Lionel Batomen Kuimi et al, ‘Child Labour and Health: A Systematic Review’ (2018) 63(5) *International Journal of Public Health* 663.

of each instrument with the strengths of the others<sup>403</sup>. In addition, triangulation seeks to minimise the validity threats associated with data collection tools<sup>404</sup>. Appropriate and carefully planned triangulation designs are significantly helpful in reducing subjectivity and bias<sup>405</sup>. Furthermore, triangulation designs include both a quantitative and a qualitative component which is justified in section 5.4. For this study, the author selected both exploratory and explanatory research designs. The author also used various sources of data and sets of data with a view to triangulate the data. Three specific types of triangulations were utilised: data triangulation, involving information gathered from managers, board members, and employees; theory triangulation, which integrates theories of CSR and law; and method triangulation, combining qualitative and quantitative data from various sources, including documents, questionnaires, interviews, and non-participant observations<sup>406</sup>. These kinds of triangulation were chosen to align with the recommendations of Fielding and Fielding that “the important feature of triangulation is not the simple combination of different kinds of data, but the attempt to relate them so as to counteract the threats to validity identified in each”<sup>407</sup>. Simply combining strategies, techniques, data, and theories and models does not enhance our knowledge of a fact. Instead, it is the careful and organised integration of these elements during collecting data and analysing them that ensures a project's reliability as well as validity. Every aspect of triangulation informs the others, contributing to a consistent and comprehensive understanding of complicated phenomena<sup>408</sup>. It's important to clarify that in this thesis, triangulation is not considered a research design but is employed as a strategy to deepen insights into the topic and enhance the reliability and validity of the collected data.

The use of computer-aided qualitative data analysis software (CAQDAS) such as N-Vivo is quite helpful to analyze qualitative data systematically<sup>409</sup>. To analyze

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<sup>403</sup> John W Creswell, *Controversies in Mixed Methods Research*, vol. 1 (The Sage Handbook of Qualitative Research, 4<sup>th</sup> ed., 2011) 284; Michael D Myers, *Qualitative Research in Business & Management* (Sage Publications Ltd, 2009) 10.

<sup>404</sup> Bruce L Berg and Howard Lune, *Qualitative Research Methods for the Social Sciences* (Pearson, 9<sup>th</sup> ed., 2017) 14; Nigel G. Fielding and Jane L. Fielding, *Linking Qualitative Data* (Linking Data: The Articulation of Qualitative and Quantitative Methods in Social Research, Sage, 1986) 53.

<sup>405</sup> Creswell (n 355) 284; Michael D Myers, *Qualitative Research in Business & Management* (Sage Publications Ltd, 2009) 10.

<sup>406</sup> Norman K Denzin, *Sociological Methods: A Sourcebook* (McGraw-Hill, 2<sup>nd</sup> ed., 2018) 343.

<sup>407</sup> Nigel G. Fielding and Jane L. Fielding, *Linking Qualitative Data* (Linking Data: The Articulation of Qualitative and Quantitative Methods in Social Research, Sage, 1986) 31.

<sup>408</sup> Cheryl N Poth, *Innovation in Mixed Methods Research* (Sage, 2018) 61.

<sup>409</sup> Saunders, Lewis and Thornhill (n 16) 516.

quantitative data SPSS and Excel are widely used<sup>410</sup>. The quantitative data were statistically analyzed by using SPSS software. This software sets up and automatically imports names of selected variables, types of variables, titles, and value labels. It also allows the researcher to recognize trends, improve projecting models, and obtain informed findings<sup>411</sup>. Qualitative data were coded using N-Vivo software to more effectively address the research question, as the software offers a structured and systematic method for analysing qualitative data<sup>412</sup>. However, there are some drawbacks to using this software, including the time required to learn its functions and its high cost<sup>413</sup>. But the author already used this for his master's research and the university provides this software. In addition, NVivo makes it easier to analyze sub-group data analysis<sup>414</sup>. Therefore, SPSS and NVivo are the most appropriate tools to get a better answer to the research question of this study.

### 5.5.6 Inferential Statistics and T-Test

This study uses inferential statistical analysis to analyse quantitative data as it made some predictions and tested hypotheses. In Pakistan, data were collected from two sets of groups – i) businesses that are trading directly with Australian clothing companies and ii) businesses that are not trading directly with Australian clothing companies. T-tests are useful for determining whether there is a substantial variation among two sets of means. In this study, t-tests were conducted applying the statistical software called SPSS to analyse the data.

Conducting t-tests needs that the assumption of data normality is upheld. There two types of tests, they are Shapiro-Wilk's and K-S Lilliefors' test. Shapiro-Wilk's is used to verify the normality of the data distribution, and K-S Lilliefors' tests for normality were performed. Both of them examine the null hypothesis that the data originate from a normally distributed population. Results may differ because of different sample sizes. In the case of a small sample size, these tests may not eliminate the normality

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<sup>410</sup> Abbott Martin Lee, *Understanding Educational Statistics Using Microsoft Excel and SPSS* (Germany Wiley, 2014) 12.

<sup>411</sup> Alfred P Rovai, Jason D Baker and Michael K Ponton, *Social Science Research Design and Statistics: A Practitioner's Guide to Research Methods and IBM SPSS Analysis* (Watertree Press LLC, 2014) 101.

<sup>412</sup> Mina Min, Jeffrey Anderson and Minge Chen, 'What Do We Know about Full-Service Community Schools? Integrative Research Review with NVivo' (2017) 27(1) *School Community Journal* 29.

<sup>413</sup> Syarifuddin Dollah, Amirullah Abduh and Ms Rosmaladewi, 'Benefits and Drawbacks of NVivo QSR Application' (2017) 149 *Proceedings of the 2nd International Conference on Education, Science, and Technology (ICEST 2017)*.

<sup>414</sup> Cynthia S Robins and Karla Eisen, 'Strategies for the Effective Use of NVivo in a Large-Scale Study: Qualitative Analysis and the Repeal of Don't Ask, Don't Tell' (2017) 23(10) *Qualitative Inquiry* 768.

assumption however it is incorrect. If the results indicate reasons to doubt the normality assumption, the validity of a parametric test would be compromised. Consequently, non-parametric tests were employed as they rely on fewer assumptions regarding the data distribution.

Two sample T-test equation is as follows.

$$\frac{(\bar{x}_1 - \bar{x}_2) - (\mu_1 - \mu_2)}{\sqrt{\frac{\sigma_1^2}{n_1} + \frac{\sigma_2^2}{n_2}}}$$

$\mu_1 - \mu_2$  : Difference between population means

$\bar{x}_1 - \bar{x}_2$  : Difference between sample means

$\sigma_1 \sigma_2$  : Population Standard deviation

$n_1 n_2$  : Sample sizes

The significance level was determined 0.05 which specifies a 5% risk of concluding that a difference occurs when there is no concrete difference. Smaller levels of significance show that this study requires effective evidence ahead of rejecting the null hypothesis.

## 5.6 Ethical Considerations

Ethical issues in business research, as well as their potential violations, are thoroughly explored by Bell, Bryman, and Harley (2022). They categorize these concerns into four key areas: dearth of informed consent, deception, invasion of privacy, followed by harm to participants<sup>415</sup>. All these moral principles, discussed in this section, were carefully considered during the design of methodology including data collection, and data managing steps. An ethical approval application was submitted to VU Business School and received approval in May 2020. Following this approval, the researcher was able to begin make contact with potential participants of the study and continue with data collection.

Any harm to participants encompasses not only physical injury but also anxiety, tension, trauma, low self-esteem, tension, potential damage to their occupation in future, and concerns about unrecognizability, privacy, and incapable of being traced

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<sup>415</sup> Harley, Bryman and Harley (n 336) 111.

or tracked down. The author took care to ensure that data collection was not time-consuming for participants during work hours, thereby minimising stress related to their workload and commitments.

Participation in the study was entirely voluntary, with no coercion involved. Furthermore, all participants were assured of complete confidentiality and anonymity, with their personal and background information accessible only to the researcher. To enhance non-traceability, participants were informed that codes would be used throughout the reporting of results, ensuring no direct association between their replies to questionnaires and interviews and their personal information for example age, race, and sexual orientation. The participant codes followed this pattern: first, a letter C referring to the company with a number those employees were working for; second, the letter E means an employee with a number to indicate employee numbers. For example, C1E1 means 'First Company, Employee 1', while C1E2 means 'First Company, Employee 2'. This strategy was essential to ensure that no connections could be made between the participants and the companies they worked for. It also informed to the participants that the outcomes of the research would be presented in an aggregated format, preventing any link amongst particular staff and their workplace. In summary, participants' names, personal information, and responses were handled with strict confidentiality. This commitment to confidentiality was explicitly stated on the agreement forms that respondents were required to sign if they want to participate.

Informed consent (Appendix 3) involves participants come to an understanding in writing and signing the form to partake in the research after thoroughly reviewing all the information in detail about their involvement, how the research will use their personal information, and the measures in place to ensure their name will not be disclosed, all the privacy will be maintained, and they will be untraced. This consent also covers how the accumulated data will be utilised for this research and potentially beyond. Written consent from the managers was obtained before commencing the research, following an oral explanation of the project's aims and details provided on the consent form, which they were requested to sign. Participants were additionally required to sign a consent form sent via email and confirm their agreement on the first page of the virtual questionnaire. Additionally, before each interview, participants signed a separate consent form specific to the interview, with an oral explanation provided about the recording of the conversation. Participants were informed that they

could withdraw from the interview at any time and request the destruction of their recordings.

Invasion of privacy, closely related to the previous two areas, is especially pertinent in interview research, where some questions might intrude into participants' private lives or address sensitive issues. The researcher ensured that the interview guide contained appropriate questions, which were tested with a similar sample during the pilot phase. Participants were explicitly informed that they could refuse to answer any questions they felt uncomfortable with, without needing to provide a justification.

Deception occurs when researchers misrepresent the true nature of their study, presenting it as something different from what it actually is. This ethical principle is particularly challenging because researchers often want to provide minimal information to ensure participants respond naturally. Nonetheless, some essential details must be shared with participants at the beginning of an interview, such as the topics of discussion and the fact that the conversation will be recorded. While these details were included in the informed consent, it was important to reiterate them verbally before data collection began and encourage participants to ask questions. This approach ensures that participants fully understand the aims and focus of the research project.

Another ethical concern, mentioned by Bell, Bryman, and Harley (2022), is beneficence, reciprocity, and trust. I believe potential participants may be more inclined to engage in research if they perceive it could offer them personal or professional benefits<sup>416</sup>. This was largely accomplished by encouraging participants to reflect on CSR. Employees viewed their involvement as a chance to discuss CSR, while managers and directors were interested in learning about CSR strategies and practices from other companies. They requested that I share the main research findings with them upon completion of the data analysis and write-up.

## **5.7 Summary**

This chapter detailed the methodological decisions made throughout various stages of the study, including the selection of the research methodology, the development of data collection tools, and the processes for data collection and analysis. It provided an

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<sup>416</sup> Ibid 113.

in-depth explanation of the research methodology and approach, including the philosophical assumptions that informed these choices and their relevance to the study's objectives. The chapter also included comprehensive information on the participants, outlining the sampling methods used and specifying the stages of the project in which each participant group was involved. Additionally, it covered the data collection procedures, and the methods employed for data analysis, including coding and content analysis. The subsequent chapters will present and analyse the study's findings based on this methodological framework.



## Chapter 6: Primary Data Analysis

### 6.1 Introduction

The aim of this thesis is to develop the CSR activities of ready-made garment organisations in Australia and Pakistan by comparing CSR practices among the organisations in Pakistan and the CSR laws in these two countries. Chapter 5 discussed what techniques were adopted to collect and analyse data. This chapter analyses the quantitative and qualitative primary data collected from the Pakistani readymade garment industry.

### 6.2 Data Presentation

The readymade garment industry in Pakistan is so massive that there are around 1,221 cotton ginning units across the country. The number of spinning units is approximately 442, making the industry the country's second-largest employer. Around 15 million employees are working, and approximately 38% of them are in the manufacturing labour force. The organisations are not all producing the product for the local market, some of them are producing only for international trade. The author collected data from both types of companies: One type is categorised as trading with international companies' businesses including Australia (Group 1). On the other hand, organisations in the second group (Group 2) are trading only at the national level.

Table 5: Types of organisations and number of participants.

Participant's Company Profile					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trades with international businesses including Australia (Group 1)	214	52.7	52.7	52.7
	Local company (Group 2)	192	47.3	47.3	100.0
	Total	406	100.0	100.0	

Number of Employees					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	50-250	82	20.2	20.2	20.2
	250+	324	79.8	79.8	100.0
	Total	406	100.0	100.0	

The table above (Table 0-1) shows 192 participants from the local traders and 214 from the businesses that trade with international buyers. Participants' demographic information is shown in the table below (Table 0-2).

Table 6: Participants' demographic information.

### Participants' Demographic Information

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	73	18.0	18.0	18.0
	31-40	267	65.8	65.8	83.7
	41-50	29	7.1	7.1	90.9
	51-60	37	9.1	9.1	100.0
	Total	406	100.0	100.0	

### Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	323	79.6	79.6	79.6
	Female	83	20.4	20.4	100.0
	Total	406	100.0	100.0	

### Educational Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Post-school	119	29.3	29.3	29.3
	Higher Ed	287	70.7	70.7	100.0
	Total	406	100.0	100.0	

### Ethnic Background

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Pakistani	406	100.0	100.0	100.0

### Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muslim	399	98.3	98.3	98.3
	Hindu	7	1.7	1.7	100.0
	Total	406	100.0	100.0	

### Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	384	94.6	94.6	94.6

Widow	22	5.4	5.4	100.0
Total	406	100.0	100.0	

#### Participants working for the organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 – 5 years	158	38.9	38.9	38.9
	6 – 10 years	140	34.5	34.5	73.4
	11 – 20 years	100	24.6	24.6	98.0
	21 – 30 years	8	2.0	2.0	100.0
	Total	406	100.0	100.0	

### 6.2.1 Questionnaire Data Analysis

It was previously indicated that questionnaires were distributed to two groups of employees and the questionnaire was based on four CSR responsibilities from Carroll's pyramid model: Economic, Legal, Ethical, and philanthropic responsibilities. Therefore, there are 4 parts of the questionnaire (Appendix 4).

#### Part 1: Economic Responsibilities

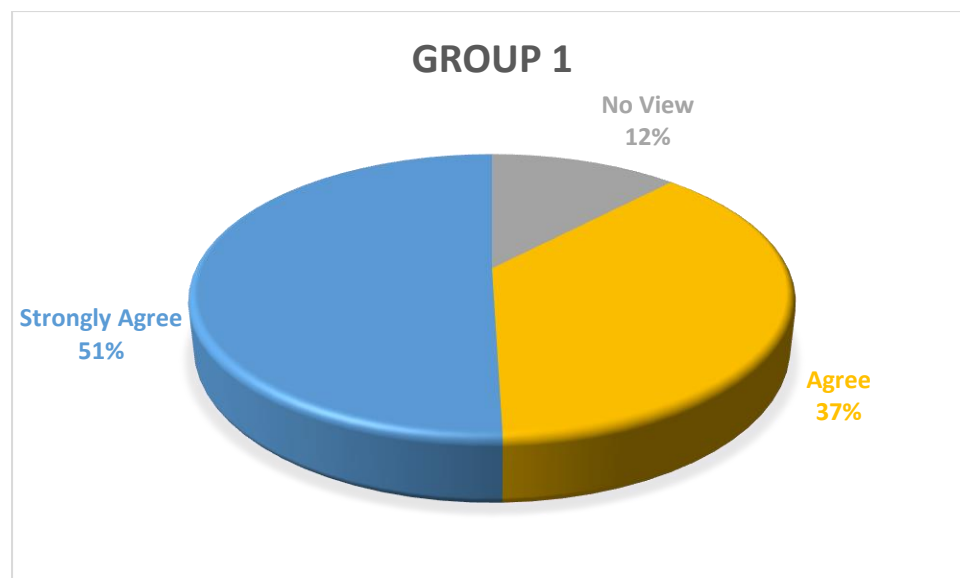
The first part of the questionnaire is about companies' economic responsibilities which contains three statements. The first statement is "The organisation is profitable".

The mean value of Group 1 is 4.28 and Group 2 is 4.53 (Table 0-3). In Group 1 organisations: 51% of employees strongly agree that the organisation is profitable, 37% of employees agree that the organisation is profitable, 12% of employees did not provide a view on the profitability of the organisation. On the other hand, in Group 2 organisations: 64% of employees strongly agree that the organisation is profitable. 25% of employees agree that the organisation is profitable, 11% of employees did not provide a view on the profitability of the organisation. (Figure 1).

Group 1: The mean value of 4.28 suggests an average or typical level of profitability for the organisation in this group. Group 2: The mean value of 4.53 indicates a slightly higher average level of profitability for the organisation in this group compared to Group 1. The higher mean value in Group 2 (4.53) compared to Group 1 (4.28) suggests that, on average, organisations in Group 2 may be more profitable than those in Group 1. The perception of profitability among employees could be influenced by

factors such as successful export contracts, stable international demand for their products, and potentially higher profit margins associated with international trade. The relatively high percentage of employees who strongly agree with the profitability suggests that they may perceive their organisation's global market presence as a sign of financial success. For Group 2 organisations, being local companies, the perception of profitability may be influenced by factors such as domestic market conditions and competition with other local businesses. The even higher percentage of employees who strongly agree with the profitability in Group 2 suggests a strong perception of financial success within the local market context. Undoubtedly this shows both types of organisations are profitable irrespective of whether they are trading with international businesses or performing completely locally.

*Figure 2: Result of Q1 - The organisation is profitable.*



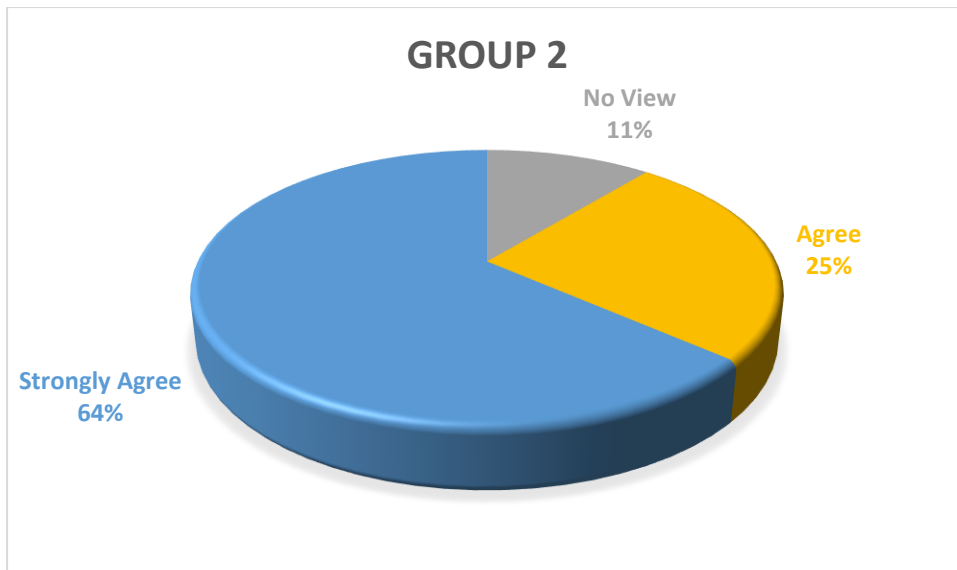


Table 7: Statistical analysis of Q1-Q3

Group Statistics					
	Participant's company trades with Australian companies	N	Mean	Std. Deviation	Std. Error Mean
Q1	Trades with international business including Australia	214	4.38	.694	.047
	Local company	192	4.53	.686	.050
Q2	Trades with international business including Australia	214	4.75	.435	.030
	Local company	192	3.17	1.042	.075
Q3	Trades with international business including Australia	214	4.69	.463	.032
	Local company	192	4.33	.858	.062

Participants shared their opinions regarding their companies' profits. The interview transcript includes 'mostly profitable', 'profit maximisation', 'growth', financial health, and 'profit'. For example, some employees' responses were as follows:

*I've noticed consistent growth in the company's revenue over the past few years. This has translated into better opportunities for employees and increased job security."*

*"Absolutely, the organisation's financial health reflects in the recent salary hikes, bonuses, and employee benefits. It's a sign of a profitable and thriving company."*

*"I believe the company is profitable because we've been able to invest in new technologies and training programs, providing employees with the tools to succeed."*

*"From an employee standpoint, the company's profitability is evident in the continuous expansion of our team and the addition of new departments, indicating business growth."*

Some employees also mentioned about their concerns regarding the company's recent activities such as:

*"Although the company is running properly, I have concerns about the company's profitability because there have been recent cost-cutting measures, including a freeze on hiring and reduced investment in employee development."*

*"Despite being told the company is profitable, I see a lack of investment in employee well-being and professional development. It makes me question the financial priorities."*

*"The company is surely making profit but I'm not convinced. Layoffs and restructuring have created an uncertain atmosphere, and it seems like we're dealing with some kind of challenges. This might be something that our owner does not want to disclose."*

*"The recent elimination of employee perks and benefits makes me sceptical about the company's ability. In a general way we think it is facing financial constraints rather than growth. But I think the company is reducing costs and making more profit."*

A small number of total participants had no view regarding this statement from both groups. They are not either aware of or do not bother about the organisation's profit. For example,

*"I haven't actively thought about the company's profitability. As long as it doesn't impact my job or benefits negatively, I remain neutral on this topic."*

*"I focus more on my daily tasks and team collaboration rather than the company's overall profitability. It's not a significant consideration in my day-to-day work."*

*"As an employee, I don't have visibility into the company's financials. It would be helpful to have more transparent communication about the organisation's profitability."*

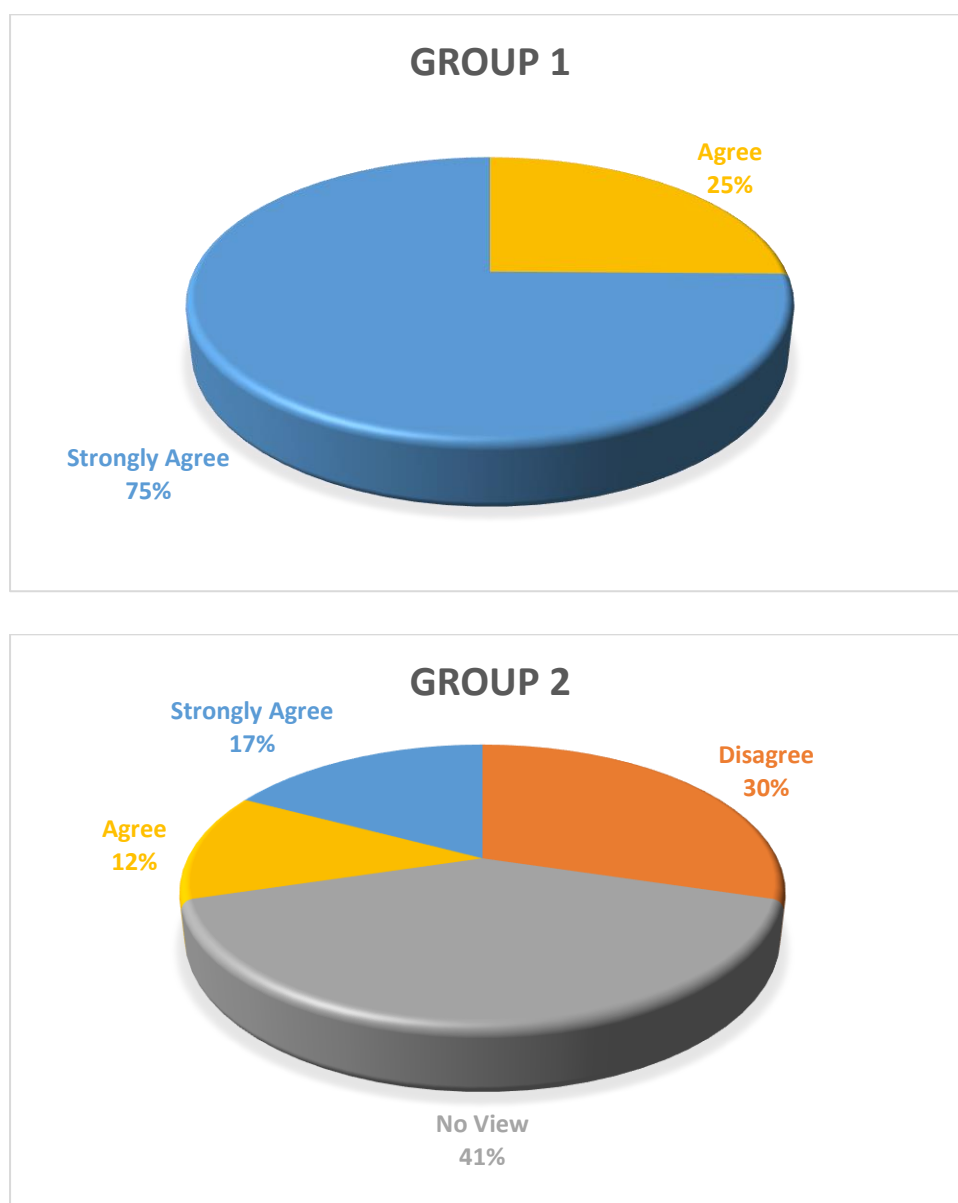
*"I don't have a strong opinion on the organisation's profitability. As long as it doesn't affect my job stability, I'm more concerned with the work I do and the team I'm a part of."*

The second statement is "The organisation pays wages on time".

The mean values of Group 1 and Group 2 are 4.75 and 3.17 respectively (Table 0-3). In Group 1 organisations: 75% of employees strongly agree that the organisation pays wages on time, 25% of employees agree that the organisation pays wages on time. In Group 2 organisations: 17% of employees strongly agree that the organisation pays wages on time, 12% of employees agree that the organisation pays wages on time, 30% of employees disagree that the organisation pays wages on time, 41% of employees did not provide a view on whether the organisation pays wages on time (Figure 2).

For Group 1, the mean value of 4.75 suggests a high level of agreement or satisfaction with the statement "The organisation pays wages on time" in this group. For Group 2, the mean value of 3.17 indicates a lower level of agreement or satisfaction with the statement in this group compared to Group 1. The higher mean value in Group 1 compared to Group 2 suggests that, on average, individuals in Group 1 are more positive or satisfied with the timeliness of wage payments compared to individuals in Group 2. From figure 3, by analysing pie chart it is clear that most employees strongly agree that they receive their wages punctually, suggesting adherence to wage payment schedules within these organisations. The results for Group 2 organisations present a more mixed perception regarding timely wage payments. While a portion of employees strongly agree or agree with the statement, a notable percentage disagree or did not provide a view. The higher percentage of employees who did not provide a view or disagree suggests potential issues or uncertainty regarding wage payments within Group 2 organisations. This could be attributed to factors such as delayed wage disbursement, inconsistent payment practices, or dissatisfaction with the timeliness of payments.

Figure 3: Result of Q2 - The organisation pays wages on time.



This implies that businesses that trade with foreign businesses are better than local organisations in terms of paying salaries on time. Organisations may delay sometimes for some reason, but they are paying wages to their employees. This has been clarified more when participants made comments, such as:

*"Yes, I have always received my wages on time. The payroll process is efficient, and I appreciate the organisation's commitment to timely payments."*

*"I can confirm that the organisation consistently pays wages on time. It contributes to a positive work environment and employee satisfaction."*



*"I agree; the organisation has been reliable in ensuring timely wage payments. This reliability reflects positively on the company's professionalism."*

*"One of the strengths of this organisation is its punctuality in paying wages. It adds to the overall positive employee experience."*

Interviewees from Group 2 organisations mentioned delays in their salaries but no one complained about non-payment. From some participant's note:

*"We always get paid our salaries on time, but it may get delay for some reasons. If it happens then managers let us know beforehand. I am working for this company around 7 years, and this only happened once."*

*"I have faced occasional delays in receiving my wages, which has been concerning. It would be helpful if the organisation could address this issue."*

*"There have been instances where wage payments were delayed, leading to inconvenience. I hope the organisation takes steps to improve this aspect."*

*"I disagree with the statement. There have been a few instances of delayed wage payments, and it has caused some frustration among employees."*

*"While the organisation generally pays wages on time, there have been a couple of instances where delays occurred, impacting the overall experience."*

The third statement is "The organisation pays regular bonuses". The mean values of Group 1 and Group 2 are 4.69 and 4.33 respectively (Table 0-3). Figure 4 shows in Group 1 organisations 69% of employees strongly agree that the organisation pays regular bonuses, 31% of employees agree that the organisation pays regular bonuses. In Group 2 organisations 54% of employees strongly agree that the organisation pays regular bonuses, 31% of employees agree that the organisation pays regular bonuses, 5% of employees disagree that the organisation pays regular bonuses, 10% of employees did not provide a view on whether the organisation pays regular bonuses.

The mean value of 4.69 for Group 1 suggests a relatively high level of agreement or satisfaction with the statement "The organisation pays regular bonuses" in this group. The mean value of 4.33 for Group 2 indicates a somewhat lower level of agreement or satisfaction with the statement in this group compared to Group 1. The higher mean value in Group 1 (4.69) compared to Group 2 (4.33) suggests that, on average,

individuals in Group 1 are more positive or satisfied with the organisation's regular bonus payments compared to individuals in Group 2.

Figure 4: Result of Q3 - The organisation pays regular bonuses.

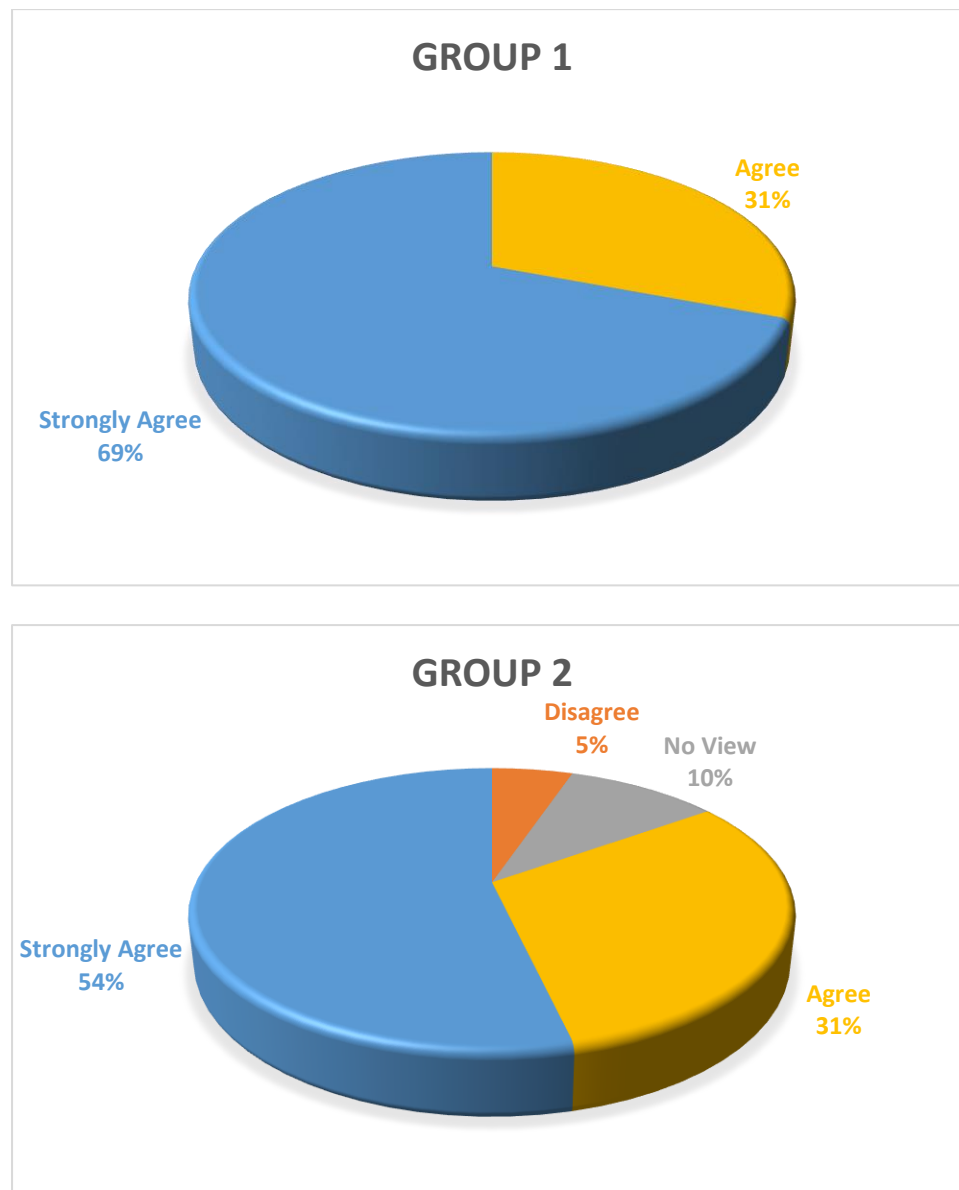


Figure 4 indicates a high level of satisfaction among employees in Group 1 organisations regarding the payment of regular bonuses. The majority of employees strongly agree that they receive bonuses consistently, suggesting that bonus payments are a well-established and expected part of compensation within these organisations. The results for Group 2 organisations show a generally positive perception regarding the payment of regular bonuses, although to a slightly lesser extent compared to Group 1 organisations. A majority of employees either strongly agree or agree with the statement, indicating that regular bonuses are indeed a part

of compensation in Group 2 organisations. However, there is a small percentage of employees who disagree with this statement, suggesting that there may be some variability or dissatisfaction regarding bonus payments within these organisations.

This indicates employees get bonuses on different occasions throughout the year from all types of businesses. From the comments of participants of this study, almost all garment organisations in Pakistan pay bonuses twice in year. Several employees said:

*"In a year we get bonuses during 2 Eid."*

*"Yes, the organisation consistently pays regular bonuses. It's a motivating factor and reflects the company's commitment to rewarding employees for their hard work."*

*"I agree with the statement. The organisation has a transparent bonus system, and I have received regular bonuses based on performance and targets."*

*"Regular bonuses are part of the organisation's culture, and I appreciate the effort to acknowledge and reward employees beyond their regular salaries."*

*"I can confirm that the organisation pays regular bonuses, which boosts morale and provides an additional incentive for employees to perform well."*

Some employees from Group 2 organisations disagreed, for example:

*"I disagree; there have been instances where bonus payments were irregular or not communicated clearly. It's an area that could use improvement."*

*"While the organisation claims to provide regular bonuses, there have been inconsistencies in the past. It would be better if the process was more transparent."*

*"I have not experienced regularity in bonus payments. The process seems uncertain, and it can be frustrating for employees who expect consistency."*

*"The organisation's bonus payments have not been as regular as expected. Clear communication and consistency would improve the overall experience."*

Additionally, a portion of employees did not provide a view, which could indicate uncertainty or lack of awareness regarding bonus payment practices. A couple of examples are as follows:

*"I do not have any view about the bonus. Bonus payments have been neither exceptionally regular nor irregular. It would be good to see more transparency in the bonus structure. It is also true that we get bonuses during the Eid time"*

*"I haven't observed a clear pattern in bonus payments. It would be beneficial for the us to communicate more about the criteria for bonuses."*

### **Discussion of Part 1: Economic Responsibilities**

Descriptive statistical results from three individual statements of the economic responsibilities show garment businesses in Pakistan are making profits so they are able to pay wages and bonuses to their employees however local organisations sometimes do not pay salaries on time and their bonuses may be a bit less than the Group 1 businesses. Making profit is essential for an organisation to remain in business. To compensate investors and owners, organisations are required to generate profit<sup>417</sup>. The analysis of participants' comments also indicates that garment organisations are making profit so they can pay wages and bonuses to their employees. Therefore, the result shows that garment companies in Pakistan are profitable which means "Australian organisations have no effect on these companies' economic responsibilities" (Proposition 1).

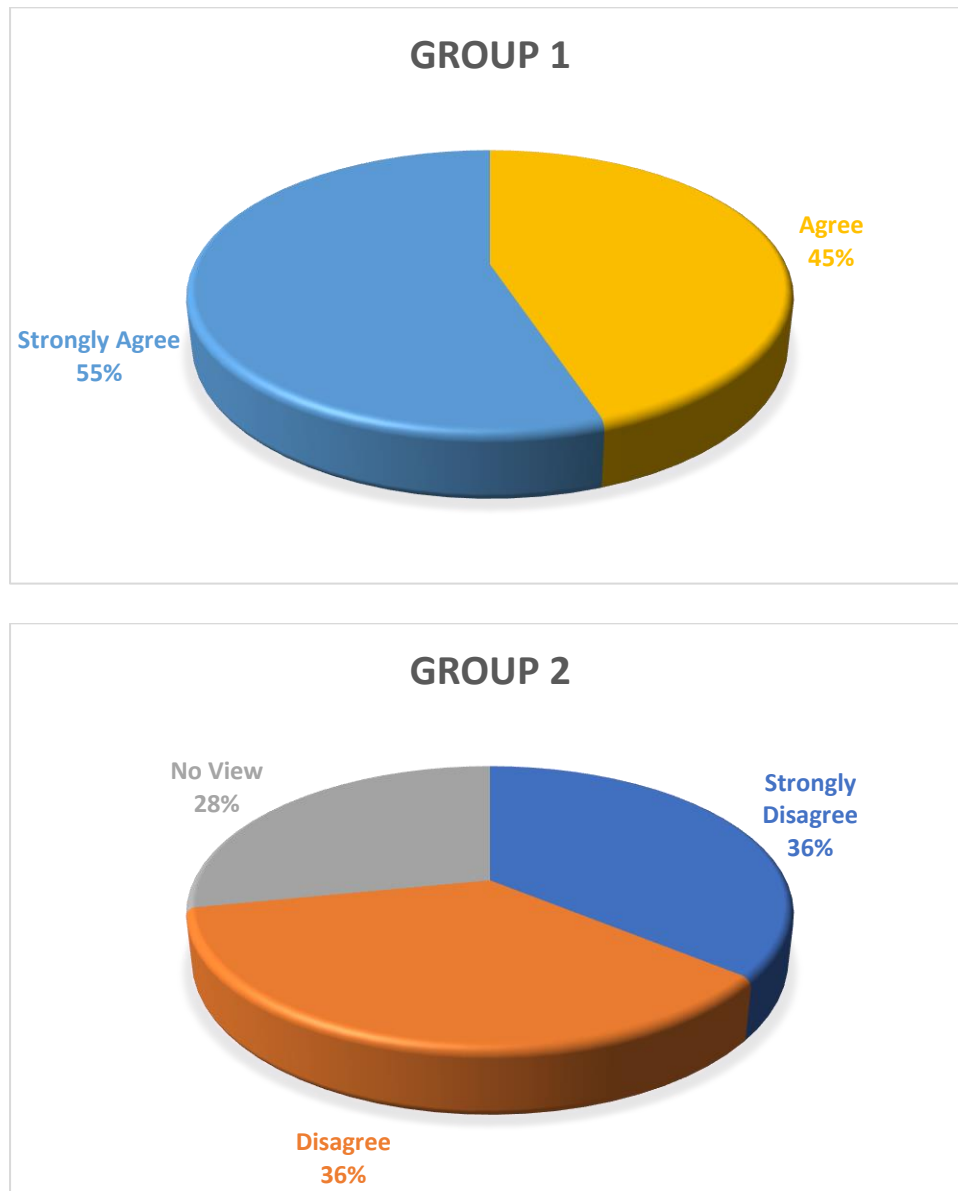
### **Part 2: Legal Responsibilities**

The second part of the questionnaire is about companies' legal responsibilities, and there are nine statements in this part (Appendix 7). The first statement is "The company works with the unions". The mean value of Group 1 is 4.55 and Group 2 is 1.92 (Table 0-4). In Group 1 organisations, 55% of employees strongly agree that the company works with unions, 45% of employees agree that the company works with unions. In Group 2 organisations, 36% of employees strongly disagree that the company works with unions, 36% of employees disagree that the company works with unions, and 28% of employees did not provide a view on whether the company works with unions (Figure 5).

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<sup>417</sup> Jintao Lu et al (n 135) 3.

Figure 5: Result of Q4 - The company works with the unions.



The mean value of 4.55 for Group 1 suggests a relatively high level of agreement or satisfaction with the statement "The company works with the unions" in this group. The mean value of 1.92 for Group 2 indicates a substantially lower level of agreement or satisfaction with the statement in this group compared to Group 1. The stark difference between the mean values in Group 1 (4.55) and Group 2 (1.92) suggests a significant contrast in the perception of how the company collaborates or works with unions. This implies a positive perception among employees in Group 1 organisations regarding the company's relationship with unions. A majority of employees either strongly agree or agree that the company collaborates with unions, suggesting that there is an established presence of unions within these organisations and that the company

engages with them in some capacity. The results for Group 2 organisations show a notably different perception compared to Group 1. A significant portion of employees either strongly disagree or disagree that the company works with unions, indicating a lack of perceived union involvement or collaboration within these organisations. Furthermore, a significant percentage of workers expressed no opinion, indicating ambiguity or ignorance about the company's connection to labour unions.

Mean values and Figure 4 clearly show that Group 1 organisations allow their employees to join the unions on the other hand, local companies do not work with the unions. Participants from Group 1 companies stated:

*"Yes, the company actively collaborates with unions, fostering a positive working relationship. This ensures that the interests of employees are represented and addressed."*

*"I agree with the statement. The company values open communication with unions, creating a cooperative environment that benefits both the organisation and its employees."*

*"The company has a good working relationship with unions, and there's a sense of collaboration. This helps in addressing concerns and maintaining a harmonious workplace."*

*"I can confirm that the company works well with unions. This collaboration contributes to a fair and just work environment, ensuring that employee rights are protected."*

Quantitative data only shows employees from Group 2 mostly disagree with the statement. From their additional opinion, more information came out. There are some evidences of joining the union may affect employees adversely. Participants from these companies mentioned that they are strictly not allowed to join a union. Some employees said:

*"Some workers before joined union and the management did not know that. Somehow the employer found this, and they lost their job."*

*"I disagree; there have been instances where the company did not effectively engage with unions. This lack of collaboration can lead to misunderstandings and issues."*

*"While the company claims to work with unions, there have been challenges in the relationship. More efforts are needed to improve communication and cooperation."*

*"I have not observed strong collaboration between the company and unions. This lack of engagement can impact the resolution of employee-related issues."*

*"The company's relationship with unions could be better. There have been instances where the communication and cooperation were not up to the mark."*

There is also a lack of knowledge about the function of unions. Some employees do not have idea how this works, why they should or should not join the unions. Followings are the examples from both organisations:

*"I haven't paid much attention to the company's interactions with unions, so I'm neutral. It would be good to understand more about how this collaboration benefits employees."*

*"I'm not quite sure about this. While there have been interactions with unions, I haven't seen a significant impact on usual work. It's an area that could be explored further."*

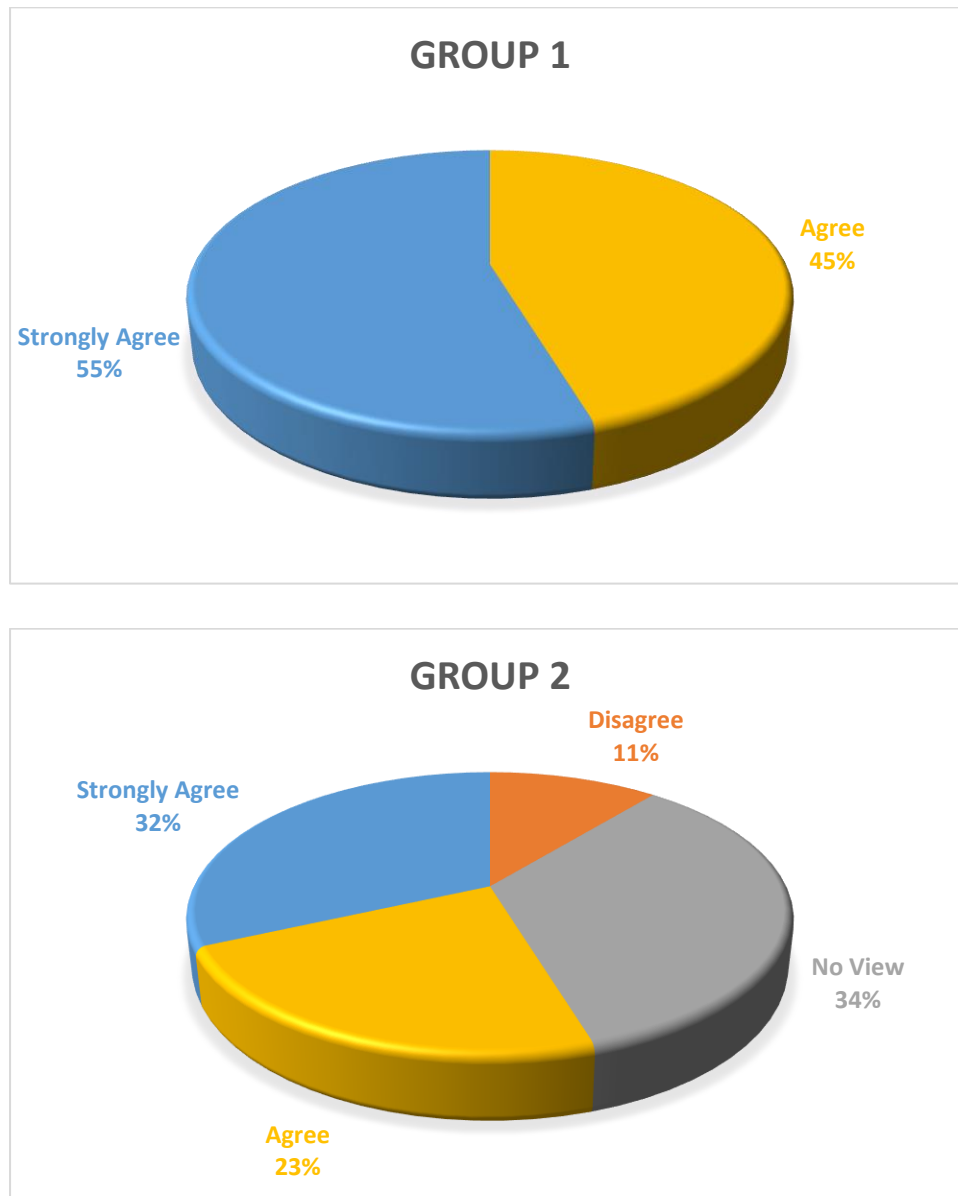
*"I'm neither positive nor negative about the company's engagement with unions. There is some interaction, but it's not a dominant aspect of the work environment."*

*"I'm a bit confused because the extent of the company's collaboration with unions is not clear to me. More information and transparency in this regard would be helpful."*

The next statement is "Employees are free to leave after giving reasonable notice".

The mean values of Group 1 and Group 2 are 4.55 and 3.76 respectively (Table 0-4). In Group 1 organisations, 55% of employees strongly agree that they are free to leave after giving reasonable notice. 45% of employees agree that they are free to leave after giving reasonable notice. Within Group 2 organisations, the following employee sentiments are found: 32% strongly agree that employees are allowed to resign after providing reasonable notice; 23% agree; 11% disagree; and 34% do not express a perspective on the matter (Figure 5).

Figure 6: Result of Q5 - Employees are free to leave after giving reasonable notice.



The mean value of 4.55 for Group 1 suggests a relatively high level of agreement or satisfaction with the statement in this group. The mean value of 3.76 for Group 2 indicates a moderate level of agreement or satisfaction with the statement in this group, but it is lower compared to Group 1. The difference between the mean values in Group 1 (4.55) and Group 2 (3.76) suggests a contrast in how employees in the two groups perceive the freedom to leave the company after giving reasonable notice. Group 1, with a higher mean, is more positive about the company's policy of allowing employees to leave after giving reasonable notice. Group 2, with a lower mean, is still moderately positive but not as much as Group 1. These findings show that workers in Group 1 businesses generally have a positive opinion of their ability to leave the



company with reasonable notice. There appears to be a degree of perceived autonomy and respect for workers' decisions to leave their positions, as indicated by the majority of employees who either strongly agree or agree that they have this freedom. Comparing Group 2 organisations' results to Group 1, they reveal a mixed perception. While a sizeable majority of workers in Group 2 firms did not express a viewpoint or disagreed with this statement, a sizeable portion strongly agreed or agreed that they are free to leave after providing reasonable notice. This indicates that there may be differences in Group 2 organisations' perceptions of employees' freedom to resign, with some workers expressing limitations or ambiguity in this regard.

This implies that employees in local organisations are not completely allowed to leave the job even after giving reasonable notice which is legally not right. On the other hand, Group 1 organisations are relatively flexible regarding employee turnover.

*"Yes, I agree. The company respects the employees' decision to leave and encourages a professional approach by providing guidelines for reasonable notice. This allows for a smooth transition for both the employee and the organisation."*

*"I can confirm that employees are free to leave after giving reasonable notice. The company values professionalism and acknowledges that individuals may need to move on for various reasons."*

*"I agree with the statement. The company has a fair policy in place, allowing employees to leave with proper notice. This flexibility is beneficial for those seeking new opportunities."*

*"The organisation follows a standard practice where employees can resign after providing reasonable notice. This approach reflects a commitment to treating employees respectfully."*

According to Group 2 organisations' employees, they cannot leave the job after giving prior notice if it is a busy time. From participants' notes:

*"Factories are very busy when they get order from the buyers and due date is very close. That time employers do not want any workers to leave. If anyone wants to leave, they will may not get the salary."*

*"I disagree with this statement. In some cases, employees have faced challenges when trying to leave, and the process has not been as smooth as it should be. There is room for improvement in this regard."*

*"There have been instances where employees faced difficulties in leaving, even after giving notice. The company needs to address these issues to ensure a more supportive exit process."*

*"The process of leaving after giving notice is not always straightforward. Some employees have encountered hurdles, making it a less-than-ideal experience. This aspect needs attention."*

*"I don't entirely agree with the statement. While there is a policy for reasonable notice, the actual process can be improved to make it more employee-friendly."*

However, busy periods and employee shortages are same for all, Group 1 organisations cannot act the same as Group 2 organisations or employees do not have much idea about others and did have any personal experience yet. Some comments were made by the employees, such as:

*"Workers are from big factories (who trade with foreign buyers) are very lucky. They have option to report. If they complain, the organisations' orders will be cancelled and most likely will never get orders."*

*"I haven't personally experienced challenges when leaving, but I'm aware that the process may vary for different individuals. It's an aspect that could be looked into."*

*"I don't have a strong opinion on this. The company's policy may work for some employees, but it's essential to ensure consistency and fairness across all cases."*

*"To be honest, I haven't encountered any issues when leaving after giving notice. However, I understand that others may have had different experiences."*

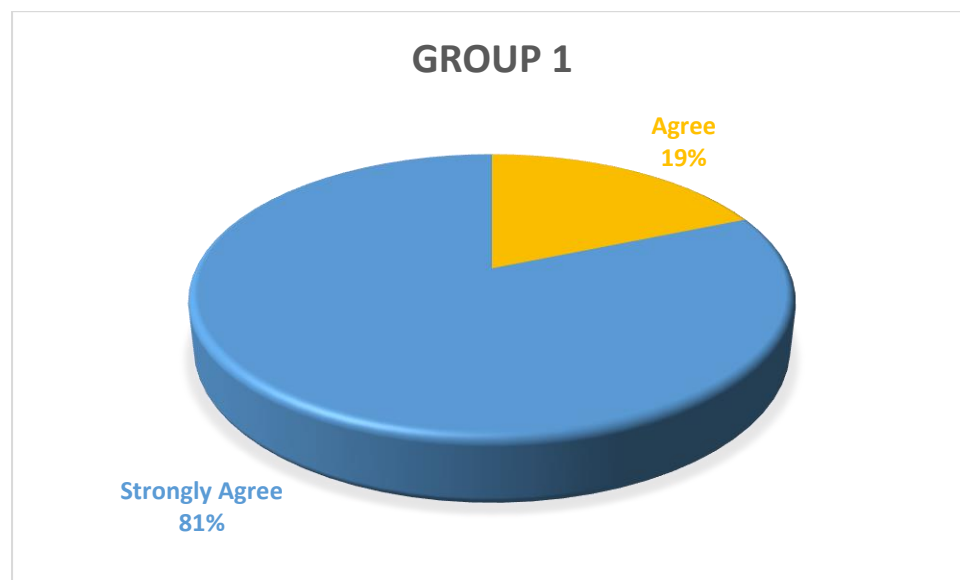
*"I haven't thought much about this aspect. The process of leaving is not something I've personally faced challenges with, but it's worth exploring to ensure it aligns with employee expectations."*

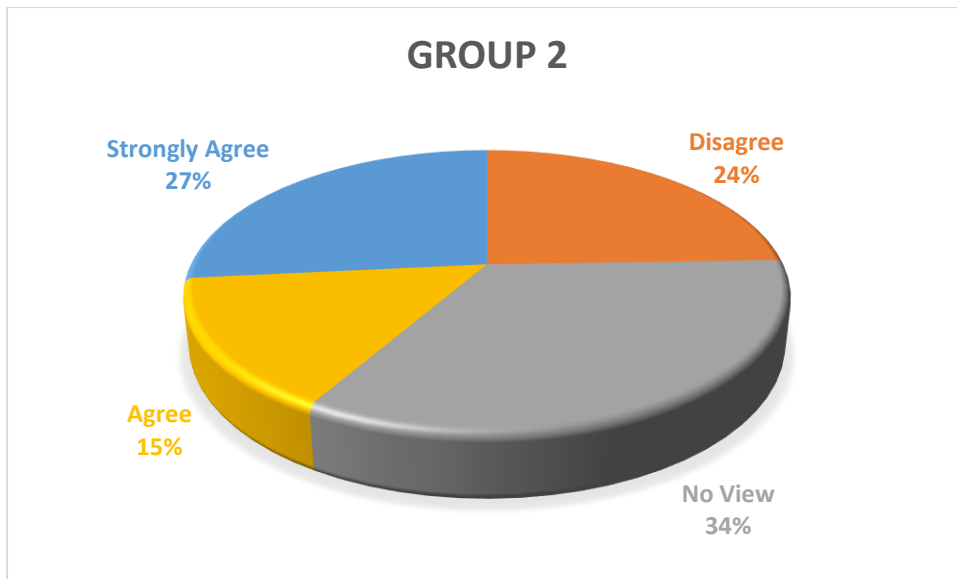
The third statement is "Employees are not required to provide any deposits or payments to secure their job".

The mean value of Group 1 is 4.81 and Group 2 is 3.44 (Table 0-4). 18% of employees in Group 1 firms agree that they do not need to give any deposits or payments in order to secure their job, compared to 81% of employees who strongly agree with this statement. On the other hand, in Group 2 organisations, 27% of employees strongly agree that they are not required to provide any deposits or payments to secure their job, 24% of employees agree that they are not required to provide any deposits or payments to secure their job, 15% of employees disagree that they are not required to provide any deposits or payments to secure their job, 34% of employees did not have a view on whether they are required to provide deposits or payments to secure their job.

The mean value of 4.81 for Group 1 suggests a high level of agreement or satisfaction with the statement in this group. The mean value of 3.44 for Group 2 indicates a moderate level of agreement or satisfaction with the statement in this group, but it is lower compared to Group 1. The difference between the mean values in Group 1 (4.81) and Group 2 (3.44) suggests a notable contrast in how employees in the two groups perceive the requirement of deposits or payments to secure their job.

*Figure 7: Result of Q6 - Employees are not required to provide any deposits or payments to secure their job.*





Group 1, with a higher mean, is very positive about the absence of any requirement for deposits or payments to secure their job. Group 2, with a lower mean, is moderately positive but not as much as Group 1. According to the findings (Figure 7), workers in Group 1 companies firmly believe that they are not required to make any payments or deposits in order to keep their jobs. The vast majority of workers respond to this statement by saying they either strongly agree or agree with it, indicating that they have a great deal of faith in Group 1 businesses' lack of such regulations. In comparison to Group 1, the results for Group 2 organisations indicate a more ambiguous perception. While some employees in Group 2 firms agreed or strongly agreed that they are not compelled to give payments or deposits in order to keep their jobs, a sizable portion did not express any opinion or disagreement with this statement. This shows that Group 2 organisations' perceptions of the need for employees to give deposits or payments in order to keep their jobs vary, and some employees seem unsure or disagree about this.

This suggests that employees in Group 2 may have some concerns or reservations regarding job security practices. This indicates that some local organisations take deposits or payments from individuals before starting the job for security purposes. However, Group 1 organisations do not involve any kind of financial activities to secure their employees' jobs. Interviewees from these organisations clearly mentioned this as follows:

*"This is right. The company has a transparent hiring process, and employees are not asked to make any deposits or payments to secure their job. This policy promotes fairness in recruitment."*

*"I can confirm that employees are not required to provide any deposits or payments during the hiring process. The organisation values equal opportunities for all candidates."*

*"Yes, the company follows a policy where employees are not burdened with any financial requirements to secure their job. This approach is commendable and ensures a level playing field for all applicants."*

*"I agree that employees do not have to make any payments or deposits to secure their job. This practice aligns with ethical employment standards."*

Providing deposits is related to the rush time too. Several participants commented that employers want to make sure that they will not experience a shortage of labour when it is a busy time. So, they take a good amount of money as deposits so workers will not leave, for example:

*"In some instances, especially with certain positions, there have been cases where employees were asked to provide certain payments during the hiring process. Employees do not have right to do this."*

*"There have been instances where employees, particularly in specific roles, were required to make payments to secure their job. This practice is not fair and should be addressed to ensure a more equitable process."*

*"I don't entirely agree because, in some cases, employees were asked for payments to secure their job. This practice should be abolished to ensure a fair and ethical recruitment process."*

*"I disagree based on some cases where employees, especially those applying for certain positions, were required to make payments. The organisation should reconsider this policy."*

Just more than one third of the total participants of the Group 2 organisations marked "no view" and made some comments regarding this matter as follows:

*"I never provided any deposits, but I'm aware that practices may vary. It's essential for the organisation to maintain consistency in its policies."*

*"I don't have a strong opinion on this matter. If the organisation has a policy against requiring deposits, that's positive. It's important to maintain such practices for the benefit of all applicants."*

*"I haven't encountered any situation where deposits were required to secure a job. However, it's crucial for the company to ensure that such practices are eliminated to promote fairness."*

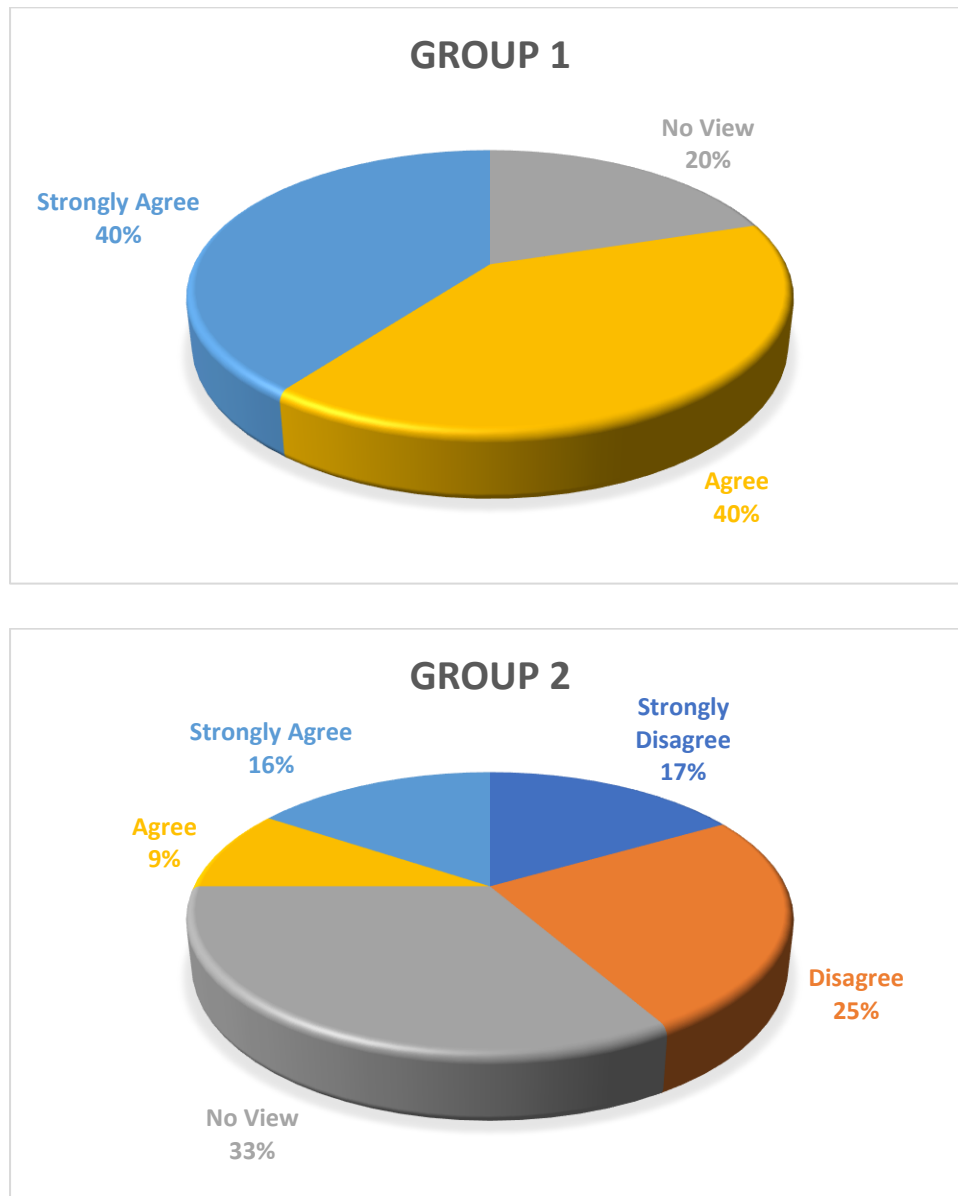
*"I haven't personally experienced any payments or deposits required during the hiring process. The organisation should ensure that this remains the case for all employees."*

The next statement is "Employees are not forced to work".

The mean values of Group 1 and Group 2 are 4.20 and 2.82 respectively (Table 0-4). Figure 8 shows, in Group 1 organisations, 40% of employees strongly agree that they are not forced to work, 40% of employees agree that they are not forced to work, 20% of employees did not provide a view on whether they are forced to work or not. On the other hand, in Group 2 organisations, 16% of employees strongly agree that they are not forced to work, 9% of employees agree that they are not forced to work, 17% of employees strongly disagree that they are not forced to work, 25% of employees disagree that they are not forced to work, 33% of employees did not provide a view on whether they are forced to work or not.

The mean value of 4.20 for Group 1 advocates a relatively high level of agreement or satisfaction with the statement in this group. The mean value of 2.82 for Group 2 indicates a lower level of agreement or satisfaction with the statement in this group. The difference between the mean values in Group 1 (4.20) and Group 2 (2.82) suggests a significant contrast in how employees in the two groups perceive whether they are forced to work.

Figure 8: Result of Q7 - Employees are not forced to work.



Group 1, with a higher mean, is generally positive and feels that they are not forced to work. Group 2, with a lower mean, suggests that employees in this group may have concerns or perceptions that they are compelled or forced to work.

From the pie chart, the results indicate a balanced perception among employees in Group 1 organisations, with a significant portion either strongly agreeing or agreeing that they are not forced to work. Additionally, a notable portion did not provide a view on this statement, suggesting uncertainty or lack of opinion among some employees. The results for Group 2 organisations indicate a more varied perception compared to Group 1. While a portion of employees either strongly agree or agree that they are not forced to work, a significant portion expressed disagreement or strong disagreement

with this statement. Additionally, a considerable number of employees did not provide a view on whether they are forced to work, indicating uncertainty or lack of opinion among a substantial portion of respondents.

The result shows employees of Group 1 organisations are not forced to work in any situation however they are asked to do overtime if they want which is completely optional.

*"Yes, employees are not forced to work. The company upholds ethical labour practices, and the decision to work is entirely voluntary. This contributes to a positive work environment."*

*"I can confirm that employees have the freedom to choose whether to work or not. There is no coercion, and the organisation respects the autonomy of its workforce."*

*"I agree with the statement. Employees have the freedom to make their own decisions regarding work. This aligns with the principles of ethical employment."*

It may be happening sometimes in Group 1 organisations' that some specific departments for some reasons as employees mentioned:

*"I don't have a strong opinion on this matter. While I haven't felt forced to work, it's important for the organisation to address any concerns raised by employees who may have had different experiences."*

*"I'm neutral because, in my department, there is a sense of autonomy regarding work hours. However, I acknowledge that practices may differ across departments, and the organisation should ensure uniformity."*

On the other hand, the situation of Group 2 Organisations is different. A large number of participants did not agree or had no views. Local organisations' employees are sometimes bound to work otherwise they will lose their jobs, or will not be paid, or they will not get their deposit back. Moreover, during peak times, they are required to work more hours. Employees' comments add more details to this situation. For example:

*"The garment industry is distinguished by seasonal demands and tight production schedules. Employers feel tension to meet their clients' orders within exact deadlines. This leads them to impose excessive work hours on us to achieve higher productivity."*



*"I agree with this statement. The organisation respects employees' rights and ensures that work is voluntary. There is no coercion, and employees have the freedom to decide whether to work or not."*

*"I disagree with this statement. In some instances, there have been cases where employees felt pressured to work, especially during peak production periods. The organisation should address this issue."*

*"There have been situations where employees, particularly in certain departments particularly production department, felt compelled to work extra hours. The organisation should ensure that employees feel genuinely free to decide on their work hours."*

*"I disagree based on experiences where employees, especially in critical roles, felt pressured to work beyond regular hours. It's essential for the organisation to address this and ensure voluntary work."*

*"In some cases, employees may feel obligated to work due to the nature of the workload or expectations. The organisation should focus on fostering a culture where work is genuinely voluntary."*

Table 8: Statistical analysis of Q4-Q12.

Group Statistics					
	Participant's company trades with Australian companies	N	Mean	Std. Deviation	Std. Error Mean
Q4	Trades with international business including Australia	214	4.55	.499	.034
	Local company	192	1.92	.799	.058
Q5	Trades with international business including Australia	214	4.55	.499	.034
	Local company	192	3.76	1.022	.074
Q6	Trades with international business including Australia	214	4.81	.391	.027
	Local company	192	3.44	1.129	.081
Q7	Trades with international business including Australia	214	4.20	.750	.051
	Local company	192	2.82	1.270	.092
Q8	Trades with international business including Australia	214	2.65	.926	.063
	Local company	192	2.52	1.028	.074
Q9	Trades with international business including Australia	214	4.14	.594	.041
	Local company	192	1.95	.931	.067
Q10	Trades with international business including Australia	214	3.83	.548	.037
	Local company	192	1.88	1.209	.087
Q11	Trades with international business including Australia	214	3.93	.833	.057
	Local company	192	3.23	1.258	.091
Q12	Trades with international business including Australia	214	4.65	.477	.033
	Local company	192	2.94	.826	.060

The fifth statement is “Employee safety is supervised by the local authorities”.

The mean values of Group 1 and Group 2 are quite similar - 2.65, 2.52 (Table 0-4).

The mean value of 2.65 for Group 1 suggests a moderate level of agreement or satisfaction with the statement in this group. The mean value of 2.52 for Group 2 indicates a slightly lower level of agreement or satisfaction with the statement. Most of the employees of both types of organisations either disagree or strongly disagree with this (Figure 9). In Group 1 organisations, employees' opinions on the supervision of employee safety by local authorities are varied. Specifically, 6% of employees strongly believe that local authorities oversee employee safety, with an additional 6% agreeing with this view. However, a substantial 44% of employees did not express any opinion on the matter. In contrast, 8% of employees strongly disagree and 36% disagree that local authorities are involved in supervising employee safety.

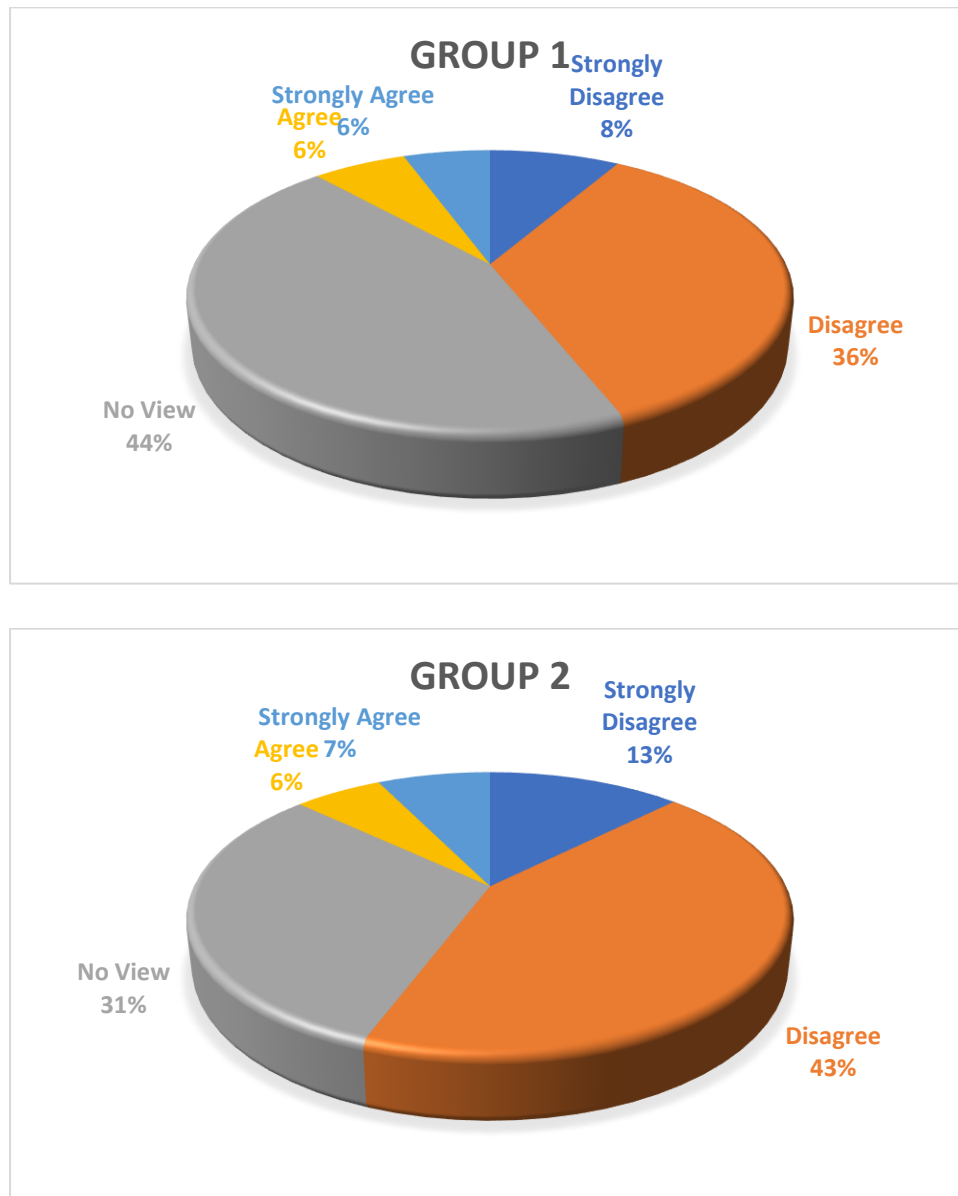
In Group 2 organisations, the distribution of opinions shows a different pattern. Here, 7% of employees strongly agree and 6% agree that local authorities supervise employee safety. A notable 13% strongly disagree and 43% disagree with the idea of local authorities' supervision. Furthermore, 31% of employees in Group 2 chose not to provide any opinion regarding the supervision of employee safety by local authorities. This indicates a mixed perspective among employees about the role of local authorities in ensuring workplace safety across the two groups.

The difference between the mean values in Group 1 (2.65) and Group 2 (2.52) is relatively small. Both groups, with mean values close to each other, share a somewhat similar perception regarding whether local authorities supervise employee safety.

The results indicate a lack of consensus among employees in Group 1 organisations regarding whether local authorities supervise employee safety. A significant portion did not provide a view on this statement, suggesting uncertainty or lack of opinion among respondents. Additionally, a substantial portion expressed disagreement or strong disagreement with the statement, indicating scepticism or disbelief regarding the supervision of employee safety by local authorities.

The results for Group 2 organisations also indicate a lack of consensus regarding whether local authorities supervise employee safety. A small portion of employees either strongly agree or agree with the statement, while a significant portion expressed "disagree". Further evidence of respondents' ambiguity or lack of perspective comes from the significant portion who did not express a position on this issue.

Figure 9: Result of Q8 - Employee safety is supervised by the local authorities.



Employees of the organisation think local authorities in Pakistan do not supervise employee safety. From some employees' quotes:

*"I work for this industry more than 10 years. In this long period of time, I never seen anyone from the government came to check the workplace safety for the employees in the garment organisations."*

*"I agree with the statement. Local authorities play a crucial role in overseeing employee safety, and their involvement ensures that workplace safety standards are upheld."*

*"Yes, local authorities actively supervise employee safety in our organisation. Their oversight contributes to maintaining a safe working environment for all employees."*

*"In some cases, local authorities' supervision of employee safety may be lacking. The organisation should collaborate more closely with authorities to address safety concerns."*

*"I disagree based on my experiences where safety concerns were not adequately addressed, despite the supposed supervision by local authorities. There is room for improvement in this regard."*

*"In my department, safety measures seem to be in place. However, it's crucial for the organisation to maintain open communication with local authorities to enhance overall safety."*

*"I can confirm that local authorities are involved in supervising employee safety. Their presence helps ensure that the organisation adheres to safety regulations and standards."*

*"The active involvement of local authorities in supervising employee safety is a positive aspect of our workplace. It adds an extra layer of assurance that safety protocols are followed."*

*"I disagree with this statement. While local authorities may have a role in safety regulations, there have been instances where the organisation has not effectively implemented safety measures."*

*"While I haven't personally witnessed issues related to local authorities' supervision of employee safety, it's essential for the organisation to continuously improve safety measures."*

*"I don't have a strong opinion on this matter. I believe local authorities play a role, but the organisation should work closely with them to address any safety gaps."*

*"I haven't noticed any significant issues related to local authorities' supervision of employee safety. Still, it's important for the organisation to remain proactive in ensuring a safe working environment."*

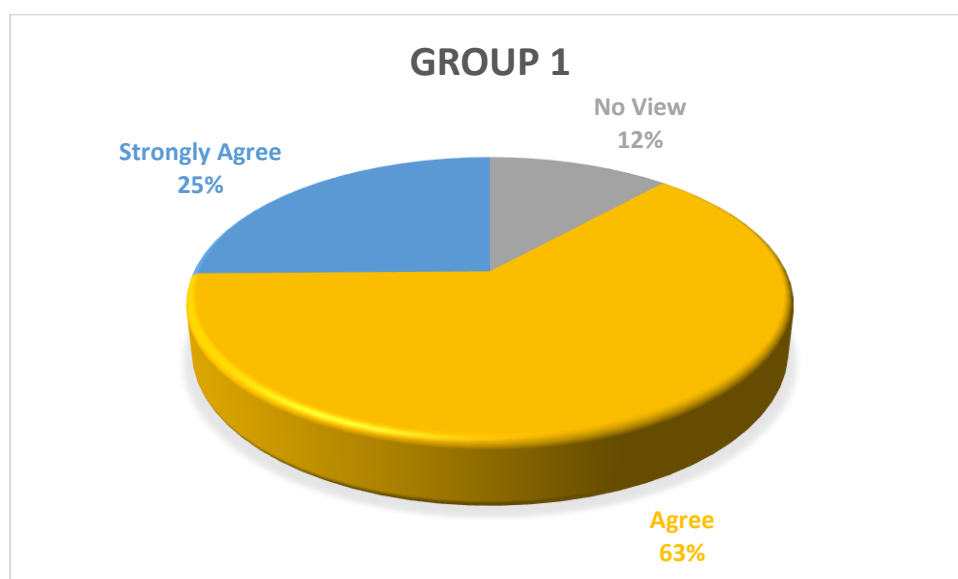
*"There are areas where the involvement of local authorities in ensuring employee safety is not as visible. The organisation needs to enhance its collaboration with authorities to strengthen safety measures."*

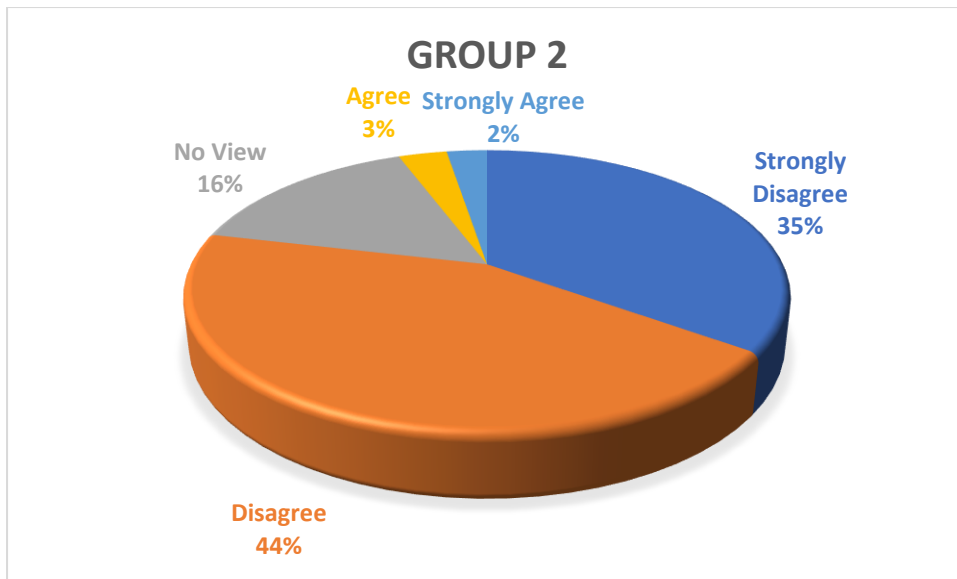
The next statement is "Employees are paid at least a National Minimum wage".

The mean value of Group 1 is 4.14 and Group 2 is 1.95 (Table 0-4). In Group 1 organisations, 25% of employees strongly agree that they are paid at least the minimum wage as per national standards, 63% of employees agree that they are paid at least the minimum wage as per national standards, 12% of employees did not provide a view on whether they are paid at least the minimum wage as per national standards. On the other hand, in Group 2 organisations, 2% of employees strongly agree that they are paid at least the minimum wage as per national standards, 3% of employees agree that they are paid at least the minimum wage as per national standards, 35% of employees strongly disagree that they are paid at least the minimum wage as per national standards, 44% of employees disagree that they are paid at least the minimum wage as per national standards, 16% of employees did not provide a view on whether they are paid at least the minimum wage as per national standards (Figure 10).

The mean value of 4.14 for Group 1 indicates a relatively high level of agreement or satisfaction with the statement in this group. Employees in these organisations perceive that they are paid at least the national minimum wage.

*Figure 10: Result of Q9 - Employees are paid at least minimum wage as National Minimum wages.*





These findings suggest that workers in Group 1 firms have an overall good impression of their pay in relation to the federal minimum wage. The majority appear to believe workers are paid at least the minimum wage required by federal regulations, as seen by their strong agreement or agreement with the statement.

In comparison to Group 1, the results for Group 2 organisations show a sharp difference in perception. Only a very tiny proportion of workers strongly agree or agree with the statement, indicating that they think they are paid at least the federal minimum wage. Nonetheless, a sizable majority either disagree or strongly disagree with the assertion, demonstrating a pervasive perception among workers that they do not receive at least the federal minimum wage.

In Pakistan, there are minimum wages for RMG workers<sup>418</sup> but it is very surprising that some participants have no idea about the minimum wages, and they are mainly from Group 2 organisations. Some employees' comments are as follows:

*"I don't know what minimum wages is. My salary is 20,000 rupees (=107.96 AUD till to date) per month."*

*"The organisation ensures that all employees receive at least the minimum wage mandated by the National Minimum Wages, which is essential for fair compensation."*

<sup>418</sup> Statista, 'Monthly Basic Wage of Garment Workers in Selected Asian Countries in 2020-2021,' Statista (January 3, 2023) <<https://www.statista.com/statistics/1281264/average-monthly-wage-garment-workers-asia/>>

*"Our company has no minimum wage policy."*

*"Factory workers do not get minimum wages."*

*"Yes, the organisation adheres to the National Minimum Wages, and all employees are paid at least the stipulated minimum wage. This practice promotes fairness and compliance with labour regulations."*

*"There have been instances where some employees received less than the minimum wage outlined by the National Minimum Wages, and this needs urgent attention."*

*"In certain cases, the organisation has not consistently adhered to the National Minimum Wages. There should be better enforcement to ensure all employees receive fair wages."*

*"I have witnessed situations where employees did not receive the minimum wage as per National Minimum Wages. The organisation needs to address this issue promptly."*

*"Unfortunately, there have been instances where the organisation fell short of ensuring that all employees are paid at least the minimum wage mandated by National Minimum Wages."*

*"While I personally haven't faced issues with minimum wage compliance, it's important for the organisation to consistently uphold these standards for all employees."*

*"I don't have clear idea about this. The organisation should regularly review and adjust employee wages to align with the National Minimum Wages for a fair and equitable work environment."*

*"I haven't personally experienced problems related to wage compliance. I am happy with my current salary, but the organisation should maintain transparency, meet the legal requirements, and ensure all employees are aware of their rights."*

*"I haven't observed widespread issues with minimum wages. However, regular audits and checks should be conducted to verify adherence to National Minimum Wages."*

The seventh statement is "Employees are entitled to get all other benefits such as sick pay, maternity and paternity leaves and paid holidays".



The analysis of employee perceptions regarding the entitlement to benefits such as sick pay, maternity and paternity leave, and paid holidays reveals a stark contrast between Group 1 and Group 2 organisations.

In Group 1 organisations, the mean value for employee entitlement to these benefits is notably high at 3.83, indicating a generally positive perception among employees. Specifically, 8% of employees strongly agree that they are entitled to receive these benefits, while a substantial 67% simply agree. This suggests that the majority of employees in Group 1 organisations feel that their organisations provide comprehensive benefits as part of their employment package. Additionally, 25% of employees did not provide a view on this issue, which might indicate either uncertainty or a neutral stance regarding their benefits.

On the other hand, in Group 2 organisations, the mean value is considerably lower at 1.88, reflecting a more negative view. Here, only 5% of employees strongly agree that they are entitled to benefits such as sick pay, maternity and paternity leave, and paid holidays, and just 8% agree with this entitlement. This signifies that a minimal portion of the workforce in Group 2 feels secure about their benefits. A significant 56% of employees strongly disagree, and 18% disagree that they are entitled to such benefits, highlighting a prevalent dissatisfaction or lack of recognition of these benefits within the organisation. Furthermore, 13% of employees in Group 2 did not provide an opinion, possibly due to lack of information or indifference.

The result shows the statement does not apply to local organisations as the mean value is very low. At the same time, the value is very high for the Group 1 organisations which is high. The relatively high mean value suggests that employees in Group 1 organisations perceive a moderate to high level of entitlement to benefits such as sick pay, maternity and paternity leaves, and paid holidays. They likely believe that their organisations provide these benefits. The low mean value indicates that employees in local organisations (Group 2) perceive a low level of entitlement to these benefits. They may believe that these benefits are not applicable or are not provided by their organisations. Group 1 employees generally perceive a higher level of entitlement to additional benefits, suggesting positive satisfaction or acknowledgement of the benefits provided by their organisations. Group 2 employees, however, perceive a lower level of entitlement, indicating potential dissatisfaction or a perception that these

benefits are not applicable or provided. It is also noticeable that 25% of Group 1 employees marked no view. Their comments provide a deeper understanding of this matter.

*"Employees are entitled to maternity leave."*

*"The organisation provides a comprehensive benefits package that includes sick pay, maternity and paternity leaves, and paid holidays. This positively contributes to employee well-being."*

*"Yes, employees are entitled to various benefits, including sick pay, maternity and paternity leaves, and paid holidays. It reflects the organisation's commitment to supporting employees in different aspects of their lives."*

*"I haven't experienced problems with benefits, but a neutral stance suggests that the organisation should continuously assess and improve the delivery of entitled benefits for all employees."*

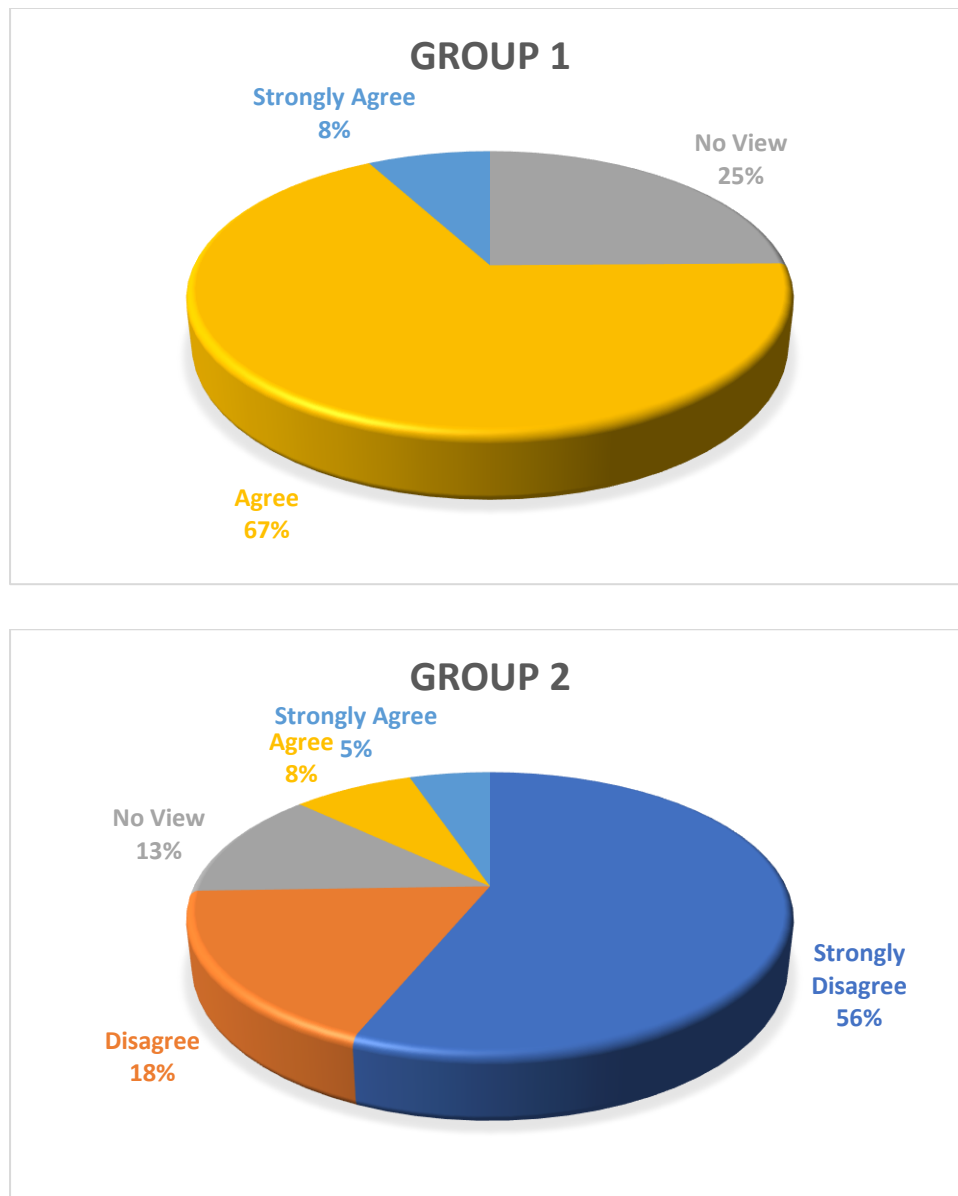
*"The organisation ensures that employees receive essential benefits like sick pay, maternity and paternity leaves, and paid holidays. This contributes to a positive work environment."*

*"I have no view on this. While I personally haven't faced issues with benefits, it's essential for the organisation to consistently provide all entitled benefits to ensure fairness."*

*"I don't have a strong opinion on this matter. The organisation should conduct regular reviews to ensure that all employees are aware of and receive the benefits they are entitled to."*

*"I can confirm that the organisation values employee welfare by offering benefits such as sick pay, maternity and paternity leaves, and paid holidays. This demonstrates a commitment to work-life balance."*

Figure 11: Result of Q10 - Employees are entitled to get all other benefits such as sick pay, maternity and paternity leaves, paid holidays



These outcomes direct a generally positive perception among employees in Group 1 organisations regarding their entitlement to additional benefits beyond basic wages. A majority either strongly agree or agree with the statement, suggesting that they believe they are entitled to benefits such as sick pay, maternity and paternity leaves, and paid holidays. The findings for the businesses in Group 2 show a markedly different perception from those in Group 1. The statement is viewed as entitled to additional benefits above basic earnings by a relatively tiny percentage of employees, who either strongly agree or agree with it. It is evident from the fact that a sizable majority of respondents either strongly disagree or disagree with the statement that employees do not believe they are entitled to these kinds of perks.

Thus, employees of Group 2 organisations are not allowed to get some benefits like maternity and paternity leave. In some cases, they may have received paid holidays and sick pay. Participants explained more in their comments such as,

*“Sometimes employers cut our salary if we are sick and do not come to work.”*

*“We get festive holidays for example, Eid holidays but for other holidays our salary will not be fully paid.”*

*“While some employees may receive these benefits, there are instances where certain individuals were not entitled to full benefits, creating disparities within the workforce.”*

*“There have been cases where employees did not receive all the entitled benefits, especially in terms of sick pay, maternity and paternity leaves, and paid holidays. The organisation needs to address this inconsistency.”*

*“Unfortunately, not all employees are treated equally in terms of benefits. Some individuals may not receive the full entitlements, leading to dissatisfaction among the workforces.”*

*“I disagree because there have been instances where employees faced challenges in accessing benefits like sick pay, maternity and paternity leaves, and paid holidays. The organisation should ensure fair treatment for all.”*

*“I’m impartial because I haven’t personally witnessed widespread issues with benefit entitlements. However, the organisation should prioritize clear communication and transparency regarding employee benefits.”*

The eighth statement is “Employee safety is maintained by the organisation properly”.

The mean value of Group 1 is 3.93 and Group 2 is 3.23 (Table 0-4). Figure 12 illustrates significant differences in employee perceptions of safety maintenance between Group 1 and Group 2 organisations.

In Group 1 organisations, 31% of employees strongly agree that their organisation maintains employee safety effectively, and another 31% agree with this statement. This indicates a strong perception of safety and indicates that a substantial portion of

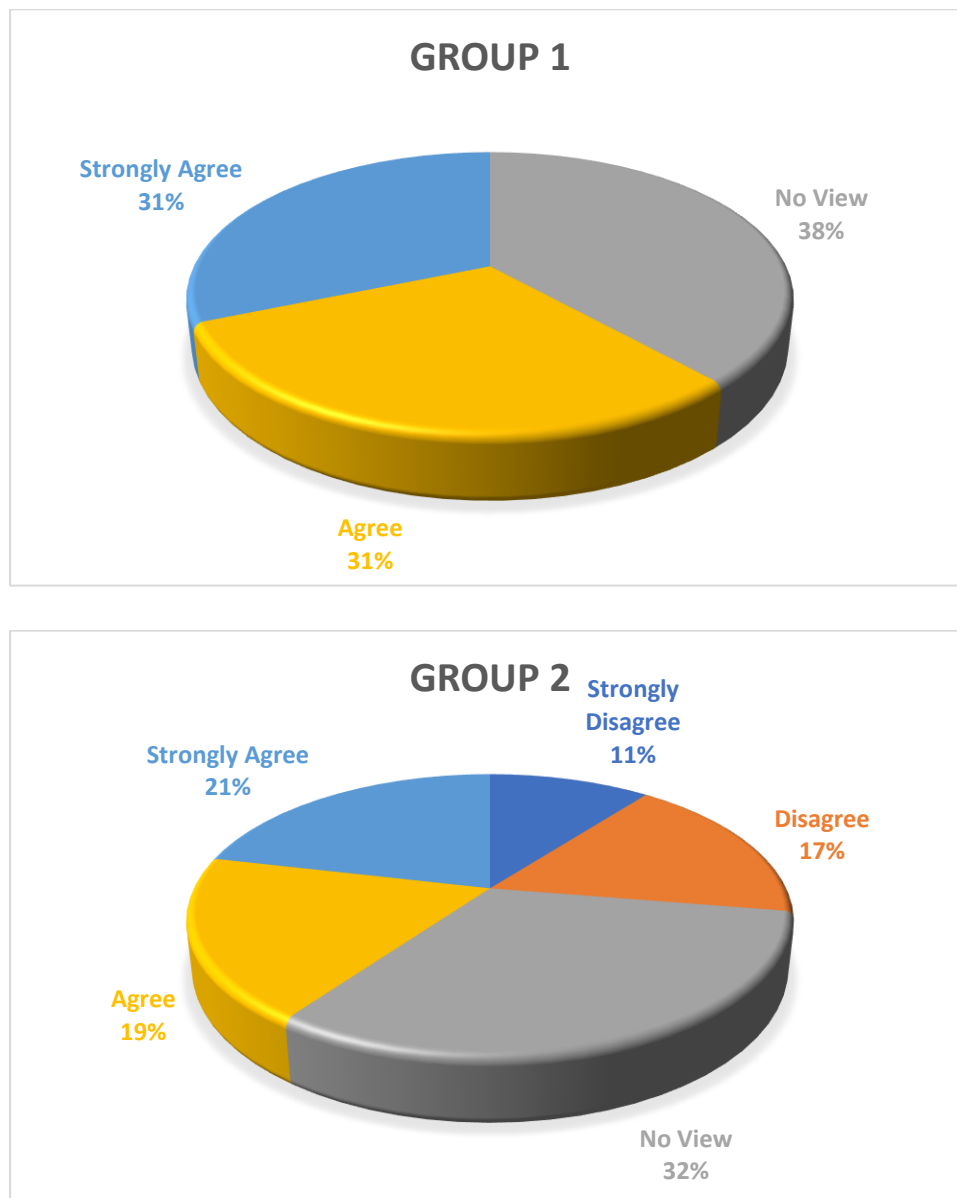
employees feels secure and well-protected by their organisation. However, 38% of employees did not express an opinion on this matter, which could suggest either a lack of awareness or indifference about the safety measures in place.

Conversely, in Group 2 organisations, only 21% of employees strongly agree and 19% agree that their organisation properly maintains employee safety. This represents a lower level of satisfaction compared to Group 1. Additionally, 11% of employees strongly disagree, and 17% disagree with the notion that safety is adequately maintained, highlighting a noticeable level of dissatisfaction or concern regarding safety practices. Furthermore, 32% of employees in Group 2 did not provide an opinion, similar to Group 1, indicating a possible lack of engagement or awareness about the organisation's safety protocols.

The mean value suggests that employees in Group 1 organisations perceive a moderate to high level of satisfaction with how their organisations maintain employee safety. They likely believe that safety measures are implemented appropriately. The lower mean value indicates that employees in local organisations (Group 2) perceive a lower level of satisfaction with the organisation's maintenance of employee safety. There may be concerns or perceptions that safety measures are not as well-implemented.

While Group 1 has a relatively higher mean value, there is a noticeable difference between the mean values of Group 1 (3.93) and Group 2 (3.23), indicating a disparity in how employees perceive the maintenance of employee safety.

Figure 12: Result of Q11 - Employee safety is maintained by the organisation properly.



These results imply a mixed perception among employees in Group 1 organisations regarding the maintenance of employee safety. While a significant percentage either strongly agree or agree with the statement, indicating confidence in the organisation's safety measures, a significant part of participants did not express a clear opinion.

The results for Group 2 organisations indicate a less positive perception compared to Group 1. While a portion of employees either strongly agree or agree with the statement, suggesting some confidence in the organisation's safety measures, a significant percentage express disagreement, with a significant number of participants strongly disagreeing. Additionally, a sizable portion did not provide a clear opinion on the matter.

As differences are not very large between the two groups, both types of organisations look after their employees and maintain workplace safety however local organisations are not as good as Group 1 organisations. In addition, some employees of Group 2 organisations are not happy with their employers' role regarding employee safety, for example:

*"As an employee, I need to look after myself. The employer does not have any safety measures and accidents randomly happen."*

*"I disagree with this statement. There have been instances where safety concerns were not adequately addressed. The organisation needs to improve its commitment to maintaining employee safety."*

*"Unfortunately, the organisation falls short in ensuring proper employee safety. There have been lapses in safety protocols, and incidents have occurred that could have been prevented with better safety measures."*

*"..... the organisation has neglected safety concerns. There is room for improvement in terms of addressing potential hazards and ensuring a safer workplace."*

*"There have been safety issues that were not properly addressed by the organisation. This raises concerns about the overall commitment to maintaining a safe working environment."*

On the other hand, Group 1 organisations' comment shows how employee safety maintains by their employers, such as:

*"When we started to work for this company, they provided training regarding health and safety, so we know what to do if anything like fire event happens. The company also practice this regularly."*

*"The organisation prioritizes employee safety. There are regular safety measures in place, including training sessions and the provision of necessary safety equipment, ensuring a secure working environment."*

*"The organisation takes employee safety seriously. There are well-defined safety protocols, regular safety drills, and a commitment to maintaining a safe workplace for everyone."*

*"I can confirm that the organisation has proper safety measures in place. There are visible efforts to ensure employee well-being through safety training and the implementation of safety standards."*

*"The organisation is proactive in maintaining employee safety. From fire safety protocols to proper handling of machinery, there is a focus on creating a secure work environment."*

At the same time employees from both organisations marked "no view". The comments give more details as follows:

*"I cannot answer this as I do not have any experience regarding the safety issues. In our organisation nothing major happened yet. But I think every organisation should conduct regular safety audits and address any concerns promptly."*

*"This is not very clear to me. If the organisation encourages open communication about safety concerns and actively work to improve safety measures I would know."*

*"I think overall, safety measures is standard. We see a lot of things on internet but never seen the organisation practicing them. To me, it's essential for the organisation to continually assess and enhance safety protocols to meet evolving workplace needs."*

The ninth statement is "The organisation does not allow child labour."

The mean value of Group 1 is 4.65 and Group 2 organisation is 2 (Table 0-4).



Figure 13: Result of Q12 - The organisation does not allow child labour.

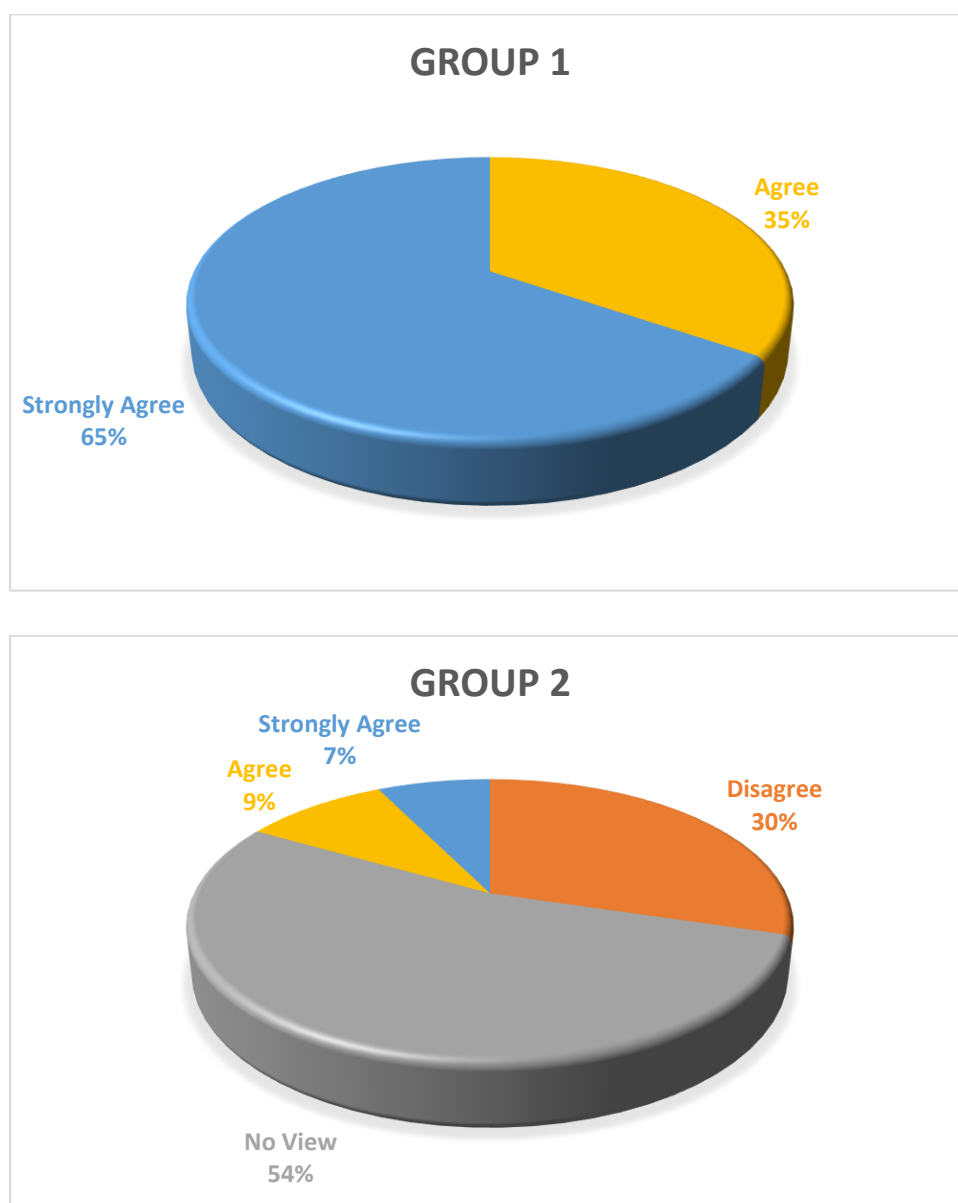


Figure 13 shows in Group 1 organisations, 65% of employees strongly agree that the organisation does not allow child labour, 35% of employees agree that the organisation does not allow child labour. In Group 2 organisations, 7% of employees strongly agree that the organisation does not allow child labour, 9% of employees agree that the organisation does not allow child labour, 17% of employees disagree that the organisation does not allow child labour, 54% of employees did not provide a view on whether the organisation allows child labour.

The responses indicate a strong perception among employees in Group 1 organisations that their organisation prohibits child labour, with the majority strongly agreeing with the statement. The results for Group 2 organisations show a less

positive perception compared to Group 1. Although a small portion of employees agree with the statement, a notable percentage either disagree or did not provide a clear opinion. Additionally, a significant proportion did not provide a view on the organisation's stance on child labour.

Child labour is a very big issue in Pakistan. Garment factory owners prefer child labour because they can work harder for lower wages. This harsh reality has been pronounced by participants from Group 2 employees:

*"Managers employ child labours particularly girls as they are capable to work harder, and their wages are much lower than adult workers."*

*"It is noticeable that underage workers were employed by organisations. They need to improve its monitoring and enforcement mechanisms."*

*"Based on my observations there have been cases where underage individuals were working by providing wrong age information, indicating a failure in the organisation's efforts to prevent child labour."*

*"There are concerns about child labour not being effectively addressed by the organisation. More stringent measures are needed to ensure compliance with the ban on employing underage workers."*

*"I disagree because there have been reports of child labour within the organisation. This raises questions about the effectiveness of the existing policies and the need for stronger enforcement."*

More than 50% Interviewees from Group 2 Organisations have "no view" regarding this issue. This can be a result of lack of awareness or cautiousness which partially reflects from their comments such as:

*"I haven't personally observed any cases of child labour. It's crucial for the organisation to continuously monitor and address any potential violations."*

*"I cannot either agree or disagree to this as I never noticed any under-aged individual works here. I heard from my colleagues that about this. I think the organisation should work towards creating more transparent processes to prevent any unintentional instances of child labour."*

*"I'm not sure because I haven't encountered cases of child labour, but the organisation should remain vigilant and take proactive measures to ensure ongoing compliance."*

*"While I haven't observed child labour, maintaining a neutral stance suggests that the organisation should conduct regular assessments and collaborate with stakeholders to address this issue."*

But this view is completely opposite in Group 1 organisations. Employees are all adults, and they strictly do not allow child labour as this is one of the main requirements of their buyers. Employees boldly stated for their organisation:

*"In our organisation there is no child worker."*

*"I agree that the organisation strictly prohibits child labour. There are clear policies in place, and the recruitment process is designed to ensure compliance with legal age requirements."*

*"Yes, the organisation is committed to ethical practices, and child labour is strictly forbidden. There are checks in place during the hiring process to verify the age of employees."*

*"I can confirm that child labour is not allowed in the organisation. There is awareness among employees about the importance of ethical labour practices, and the organisation enforces this policy."*

*"The organisation has a zero-tolerance policy for child labour. There are regular audits and checks to ensure compliance, reflecting a commitment to responsible business practices."*

## **Discussion of Part 2: Legal Responsibilities**

Descriptive statistical results from nine individual statements of the legal responsibilities show all garment businesses are not following the rules and regulations properly, particularly local organisations which are not trading with any international traders directly. However, businesses which are dealing with foreign buyers including Australia are in better positions than local ones. This shows a clear distinction between these organisations. Big brands from the developed world have some requirements for their suppliers which are mostly based on the ILO's code of

conduct<sup>419</sup>. If any supplier fails, then they will lose the eligibility to trade with foreign buyers. Similar cases of child labour, like Nike resulted in severing ties with Sialkot Sports<sup>420</sup>. This is why Group 1 organisations make sure all the requirements are met. In addition, foreign buyers can have a direct impact on workplace safety in the Pakistani RMG industry. On the other hand, local companies that do not have any direct ties with foreign buyers have no extra pressure from the buyer companies to meet any legal requirements however Carroll's pyramid model suggests they should follow the law and orders of the country<sup>421</sup>. Thus, it is apparent that "Textile company compliance between Australian and Pakistani RMG organisations has positive impacts on the legal responsibilities of Pakistani organisations" which is the second Proposition of this study.

### **Part 3: Ethical Responsibilities**

The third part of the questionnaire (Appendix 7) is about companies' ethical responsibilities, and it is made up of five statements.

The first statement (Q-13) is "The organisation does not allow any gender discrimination."

The mean value of Group 1 is 4.06 and Group 2 is 3.02 (Table 0-5). Figure 14 shows, in Group 1 organisations, 23% of employees strongly agree that the organisation does not allow any gender discrimination, 60% of employees agree that the organisation does not allow any gender discrimination, 17% of employees did not provide a view on whether the organisation allows gender discrimination. On the other hand, in Group 2 organisations, 4% of employees strongly agree that the organisation does not allow any gender discrimination, 8% of employees agree that the organisation does not allow any gender discrimination, 15% of employees strongly disagree that the organisation does not allow any gender discrimination, 73% of employees did not provide a view on whether the organisation allows gender discrimination.

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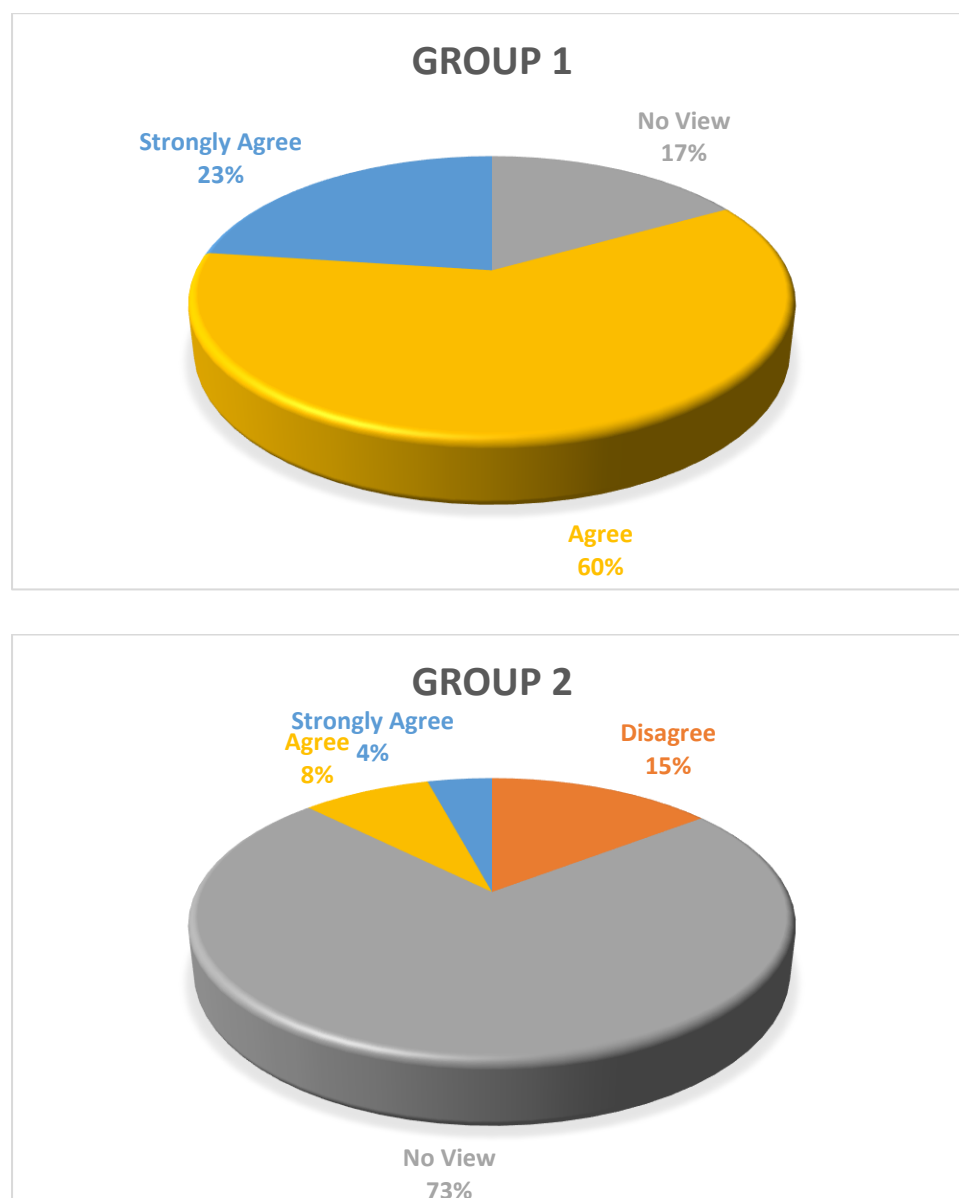
<sup>419</sup> Khan, Mohammad Rashed, 'The Effects of Culture and Leadership Behaviour on Ethical Practices in Managing Labour within the UK and Bangladesh- Readymade Garment Industry' (PhD Thesis, University of Bolton, 2018), 143.

<sup>420</sup> Samreen Ashraf, 'CSR in Pakistan: The case of the Khadi Controversy' (2018) *Corporate responsibility and digital Communities: An International Perspective Towards Sustainability* 247, 269.

<sup>421</sup> Jintao Lu et al (n 135) 115.

The mean value suggests that employees in Group 1 organisations perceive a relatively high level of satisfaction with the organisation's efforts to prevent gender discrimination. Employees likely believe that the organisation actively works to create a non-discriminatory environment based on gender. The lower mean value indicates that employees in local organisations (Group 2) perceive a lower level of satisfaction regarding efforts to prevent gender discrimination. This may suggest concerns or perceptions of gender-related issues in the workplace. The substantial difference between the mean values of Group 1 (4.06) and Group 2 (3.02) indicates a significant gap in how employees perceive the prevention of gender discrimination between the two groups.

Figure 14: Result of Q13 - The organisation does not allow any gender discrimination.



These results indicate a generally positive perception among employees in Group 1 organisations regarding the organisation's stance on gender discrimination. A significant majority either strongly agree or agree that gender discrimination is not permitted. The results for Group 2 organisations show a less positive perception compared to Group 1. While a small portion of employees agreed with the statement, a notable percentage either strongly disagreed or did not provide a clear opinion. Additionally, a significant proportion did not provide a view of the organisation's stance on gender discrimination.

From the interviewees' comments, it is also evident that gender discrimination is not very noticeable in Group 1 organisations. According to some participants:

*"I agree that the organisation promotes gender equality. There are equal opportunities for men and women in terms of hiring, promotions, and access to training programs."*

*"Yes, the organisation actively discourages gender discrimination. There are policies in place to ensure fair treatment, and efforts are made to create an inclusive work environment."*

*"I have no view about gender biasness. I haven't come across gender discrimination in my personal experience. If there is any, the organisation should address them and take necessary actions."*

*"I can confirm that gender discrimination is not tolerated in the organisation. Both male and female employees are treated fairly, and there is a commitment to fostering diversity."*

*"The organisation has a strong stance against gender discrimination. There are awareness programs and policies that contribute to creating a workplace free from gender bias."*

On the other hand, in some local organisations, gender inequality is evident. For women, the work condition in Pakistan is miserable. From a participant's comment:

*"Women in garment factories work for low wages. They are also treated as an inefficient labour force."*

Some other participants also added:

*"I disagree because there have been instances where gender discrimination occurred. The organisation needs to tackle these issues and ensure a more equitable workplace."*

*"I dispute this based on my observations of gender-related disparities. There is a need for the organisation to implement more effective measures to eliminate discrimination."*

*"There are concerns about gender discrimination not being adequately addressed. The organisation should take more proactive steps to create an environment free from bias."*

*"I disagree because there have been reports of gender-based discrimination. The organisation should conduct regular assessments and take corrective actions to address this issue."*

Many participants do not have any view on gender discrimination. As only victims can express their experience, it is difficult for the participants to identify confidently that there is some evidence of gender discriminations unless they have witnessed any cases. Here are some comments from the participants:

*"It is not possible for me to answer this question as I haven't personally experienced gender discrimination. Usually, the organisation must continuously monitor and improve its policies to ensure equality."*

*"..... if I am not victim or any victim is not known to me then how I can tell that the organisation allows or not allows gender discriminations. So far, I did not notice any gender discrimination. However, ongoing efforts are needed to maintain an inclusive workplace and address any emerging issues."*

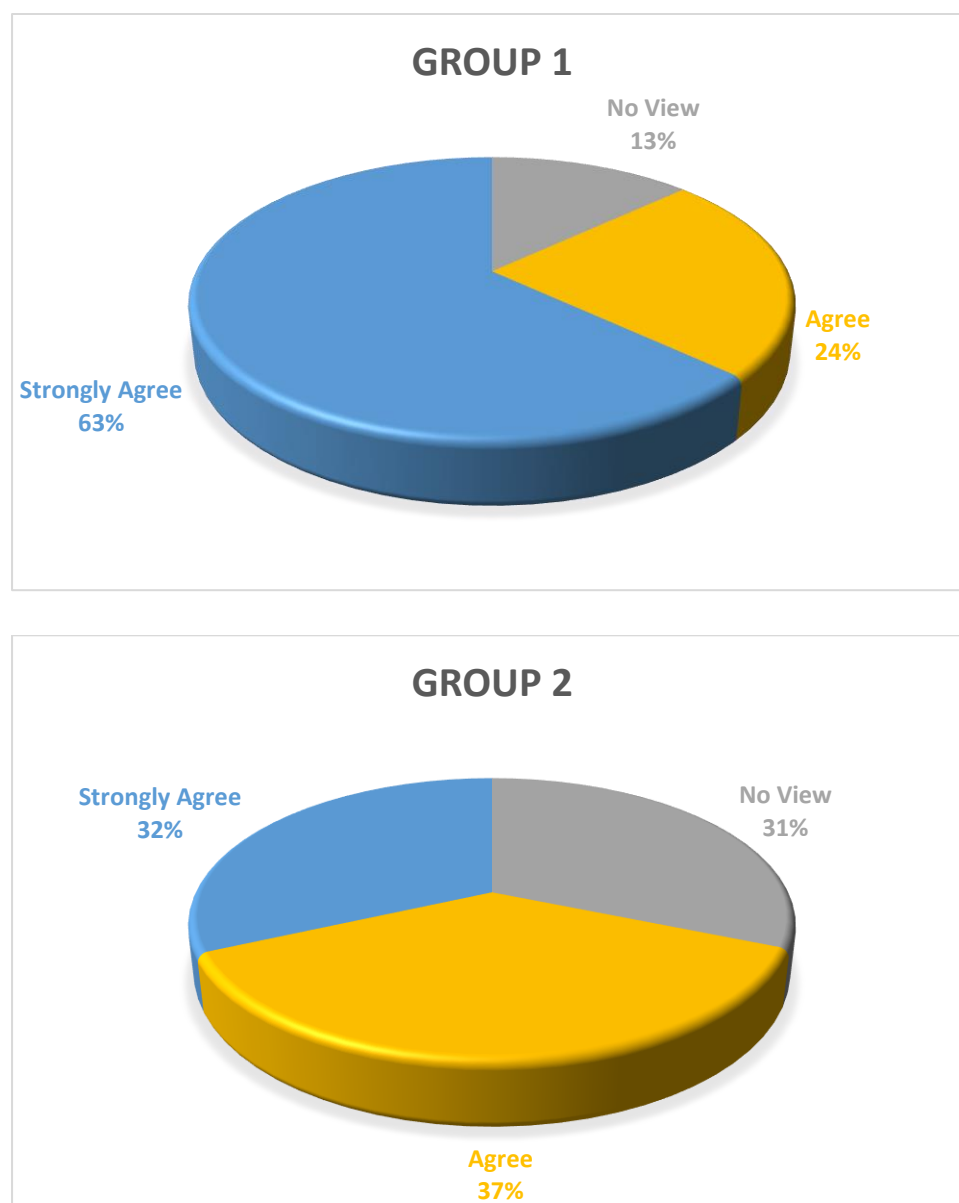
*"While I haven't observed gender discrimination, maintaining a neutral stance suggests that the organisation should stay vigilant and responsive to employees' experiences and perceptions."*

The next statement, Q14 is "Any individual from any ethnic group can work in this organisation".

The result shows there is less difference between the mean values of Group 1 and Group 2 organisations which are 4.50 and 4.01 respectively (Table 0-5). Most

employees of both types of organisations either agree or strongly agree with this statement (Figure 15). In Group 1 organisations, 63% of employees strongly agree that any individual from any ethnic group can work in the organisation, 24% of employees agree that any individual from any ethnic group can work in the organisation, and 13% of employees did not provide a view on ethnic inclusivity. On the other hand, in Group 2 organisations, 32% of employees strongly agree that any individual from any ethnic group can work in the organisation, 37% of employees agree that any individual from any ethnic group can work in the organisation, 31% of employees did not provide a clear opinion on ethnic inclusivity.

Figure 15: Result of Q14 - Any individual from any ethnic group can work in this organisation.





The higher mean value suggests that employees in Group 1 organisations perceive a relatively high level of satisfaction or agreement that individuals from any ethnic group can work in the organisation. This indicates a positive perception of inclusivity and equal opportunities. The slightly lower mean value for Group 2 still indicates a positive perception, suggesting that employees in local organisations generally believe that individuals from any ethnic group can work there. While there is a difference in mean values, it is not as substantial as in some other statements.

These findings show that workers in Group 1 organisations have an overall favourable opinion of ethnic inclusion. People of any ethnicity can work for the company, according to a sizable majority who either strongly agree or agree with this statement. The results for Group 2 organisations show a less definitive perception compared to Group 1. While a portion of employees strongly agree or agree with the statement, a notable percentage did not provide a clear opinion. Additionally, a significant proportion did not provide a view on whether individuals from any ethnic group can work in the organisation.

Thus, both Group 1 and Group 2 organisations show a relatively positive perception regarding the inclusion of individuals from diverse ethnic backgrounds. Employees in both groups generally perceive a positive and inclusive environment with regard to ethnic diversity. The reason may be in Pakistan there are no noticeable ethnicities. Participants shared some comments as follows.

*"I agree that the organisation is inclusive and welcomes individuals from diverse ethnic backgrounds."*

*"In my opinion, the organisation does a good job of promoting diversity, and I agree that people from any ethnic group can work here."*

*"I have personally witnessed a diverse workforce, and I agree that the organisation encourages individuals from all ethnicities to be part of the team."*

*"I don't have a specific view on this matter as I haven't observed the organisation's practices related to ethnic diversity."*

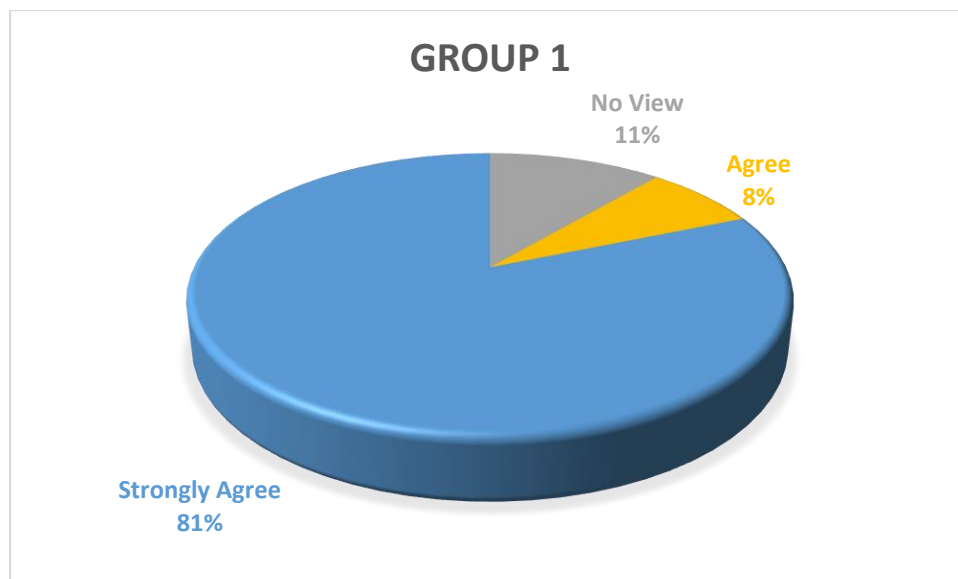
*"I don't have enough information to express agreement or disagreement on the inclusivity of the organisation for individuals from different ethnic backgrounds."*

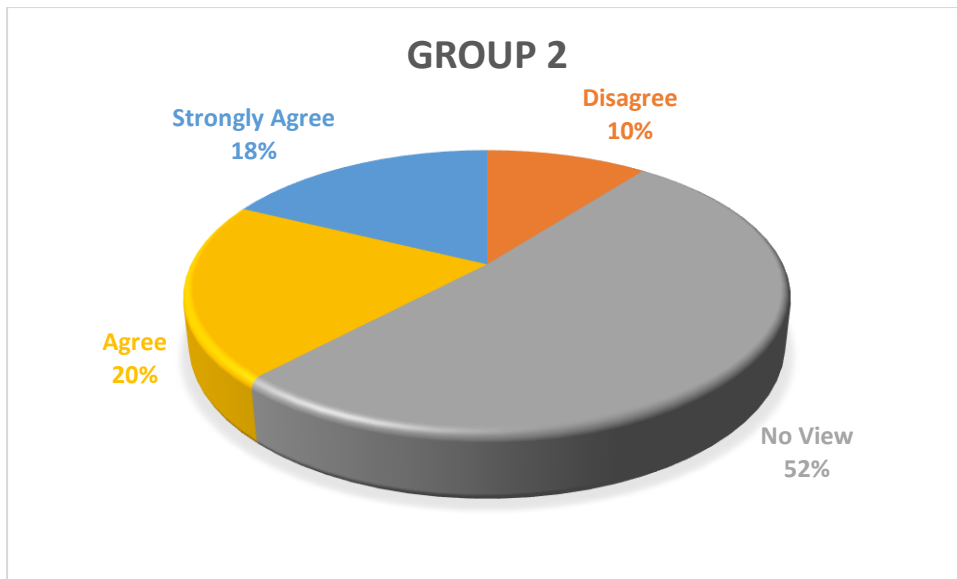
*“In Pakistan, we do not have a lot of ethnic groups. Mostly we are Muslims and that’s our main identity.”*

The next statement, Q15 is “Individuals from all ethnic groups can work comfortably”.

The mean values of Group 1 and Group 2 are 4.70 and 3.45 respectively (Table 0-5). Figure 16 shows in Group 1 organisations, 81% of employees strongly agree that individuals from all ethnic groups can work comfortably, 8% of employees agree that individuals from all ethnic groups can work comfortably, 11% of employees did not provide a clear opinion on the comfort of individuals from all ethnic groups. On the other hand, in Group 2 organisations, 18% of employees strongly agree that individuals from all ethnic groups can work comfortably, 20% of employees agree that individuals from all ethnic groups can work comfortably, 10% of employees disagree that individuals from all ethnic groups can work comfortably, 52% of employees did not provide a clear opinion on the comfort of individuals from all ethnic groups.

*Figure 16: Result of Q15 - Individuals from all ethnic groups can work comfortably.*





The higher mean value suggests that employees in Group 1 organisations perceive a significantly higher level of comfort for individuals from all ethnic groups working in the organisation. This indicates a positive perception of inclusivity and a comfortable work environment. The lower mean value for Group 2 indicates a lower level of perceived comfort for individuals from all ethnic groups. This suggests that, on average, employees in local organisations feel less comfortable working with colleagues from diverse ethnic backgrounds. The substantial difference in mean values (1.25) indicates a significant contrast in the perceived comfort level between the two groups. Employees in Group 1 perceive a highly comfortable and inclusive work environment for individuals from diverse ethnic backgrounds exists. Employees in Group 2, while still perceiving some level of comfort, indicate a lower level of comfort compared to Group 1.

These results indicate an overwhelmingly positive view among employees in Group 1 organisations regarding the comfort of individuals from all ethnic groups working within the organisation. The majority strongly agree that individuals from all ethnic groups can work comfortably, indicating a high level of inclusivity and comfort. The results for Group 2 organisations show a less definitive perception compared to Group 1. While a portion of employees strongly agree or agree with the statement, a notable percentage disagree or did not provide a clear opinion. Additionally, a significant proportion did not provide a view on whether individuals from all ethnic groups can work comfortably within the organisation.

Thus, in both types of organisations individuals from different ethnic groups can work comfortably which reflected on the participants' comments too, such as,

*"Absolutely. Our workplace values diversity, and there are equal opportunities for everyone, regardless of their ethnic background."*

*"I agree. However, very rarely we see employees from different background, I've witnessed a strong commitment to diversity, and the company actively encourages a culture of respect and understanding among employees of different ethnicities."*

*"Yes, I agree. I appreciate the company's efforts in creating a workplace where individuals from various ethnicities can work comfortably and collaboratively."*

*"I agree; our organisation promotes a diverse and inclusive environment, allowing individuals from all ethnic backgrounds to contribute their unique perspectives to our work."*

It was identified from the previous statement that there are not a big number of different ethnic people in Pakistan. From some comments for Question 15, it seems employees in this industry are also not very diverse, for example,

*"I don't have a clear view as we do not have any employees from different ethnic group. But I think it would be helpful for the company to regularly assess to make this an inclusive workplace to keep everyone informed."*

*"I don't have a strong view on this. While I personally haven't experienced issues related to ethnic diversity, it's essential to consider the experiences of others."*

Figure 16 shows, Group 1 organisations' work environment is better than local organisations for diverse workforces. This can be clarified from the following comments,

*"..... We are not disrespectful to them, but we are not used to work with these people."*

*"I disagree. While the company claims to prioritize diversity, I've observed instances where certain ethnic groups may not receive equal opportunities or recognition."*

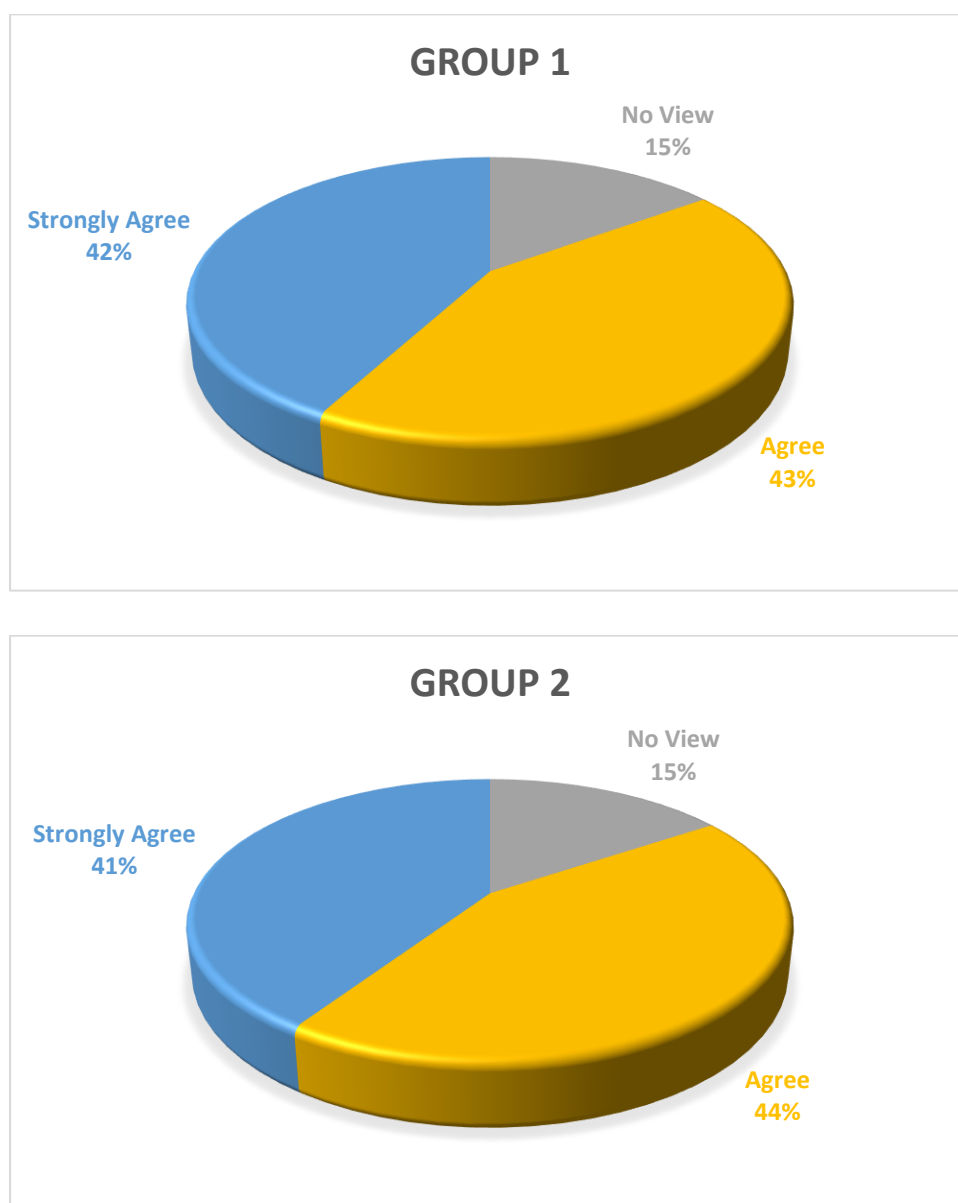
*"Unfortunately, I disagree. The organisation needs to address underlying issues that contribute to discomfort for some ethnic groups within the workforce."*

Table 9: Statistical analysis of Q13-Q17

Group Statistics					
	Participant's company trades with Australian companies	N	Mean	Std. Deviation	Std. Error Mean
Q13	Trades with international business including Australia	214	4.06	.629	.043
	Local company	192	3.02	.630	.045
Q14	Trades with international business including Australia	214	4.50	.717	.049
	Local company	192	4.01	.796	.057
Q15	Trades with international business including Australia	214	4.70	.660	.045
	Local company	192	3.45	.903	.065
Q16	Trades with international business including Australia	214	4.27	.706	.048
	Local company	192	4.25	.709	.051
Q17	Trades with international business including Australia	214	4.83	.379	.026
	Local company	192	3.55	.586	.042

Q16 is "Employees can report any misbehaviour or criminal activities anonymously". Most employees from Group 1 and Group 2 organisations agree or strongly agree with this statement (Figure 17) and the mean values are 4.27 and 4.25 respectively (Table 0-5). Figure 17 shows that in Group 1 organisations, 42% of employees strongly agree that they can report any misbehaviour or criminal activities anonymously, 43% of employees agree that they can report any misbehaviour or criminal activities anonymously, 15% of employees did not provide a clear opinion on the matter. On the other hand, in Group 2 organisations, 41% of employees strongly agree that they can report any misbehaviour or criminal activities anonymously, 44% of employees agree that they can report any misbehaviour or criminal activities anonymously, 15% of employees did not provide a clear opinion on the matter.

Figure 17: Result of Q16 - Employees can report any misbehaviour or criminal activities anonymously.



The relatively high mean value suggests that employees in Group 1 organisations perceive a strong ability to report misbehaviour or criminal activities anonymously. This indicates a positive perception of the reporting mechanisms in place. Similarly, the high mean value for Group 2 indicates that employees in local organisations also perceive a strong ability to report anonymously. This suggests that, on average, employees in both groups feel confident in the confidentiality of the reporting process.

The small difference in mean values (0.02) indicates a very slight contrast in the perceived ability to report anonymously between the two groups. This is a good sign of the organisations that they do not reveal the employee details if they report any misbehaviour or criminal activities. Participants from both types of organisations either

agreed or strongly agreed to this statement with a small number of “no view”. These results indicate a generally positive perception among employees in Group 1 organisations regarding their ability to report misbehaviour or criminal activities anonymously. A significant portion either strongly agree or agree that they have this capability. Similarly, employees in Group 2 organisations also hold a positive perception regarding their ability to report misbehaviour or criminal activities anonymously. A comparable percentage to Group 1 either strongly agree or agree that they have this capability. Here are some comments that the employees made:

*"I strongly agree. Our organisation has a robust anonymous reporting system that encourages employees to speak up without fear of retaliation, fostering a safer work environment."*

*"Absolutely. The ability to report anonymously empowers employees to share concerns without facing potential consequences, ensuring a secure workplace for everyone."*

*"I agree with the statement. The anonymous reporting option is a valuable tool that promotes transparency and accountability in addressing misbehaviour or criminal activities."*

*"I am not quite sure as I haven't personally used it, so I can't speak to the effectiveness of the anonymity feature."*

*"I do not have any idea about this. I never faced situations that required anonymous reporting, so I can't provide a definitive opinion."*

*"Yes, I agree. Having an anonymous reporting mechanism gives employees the confidence to report incidents they might otherwise be hesitant to share openly."*

*"I appreciate that our organisation values anonymity in reporting. It demonstrates a commitment to addressing issues discreetly and effectively."*

The fifth statement is “Employees are not asked to give or receive anything of value with the intention of persuading a person to act or to reward a person for having acted”.

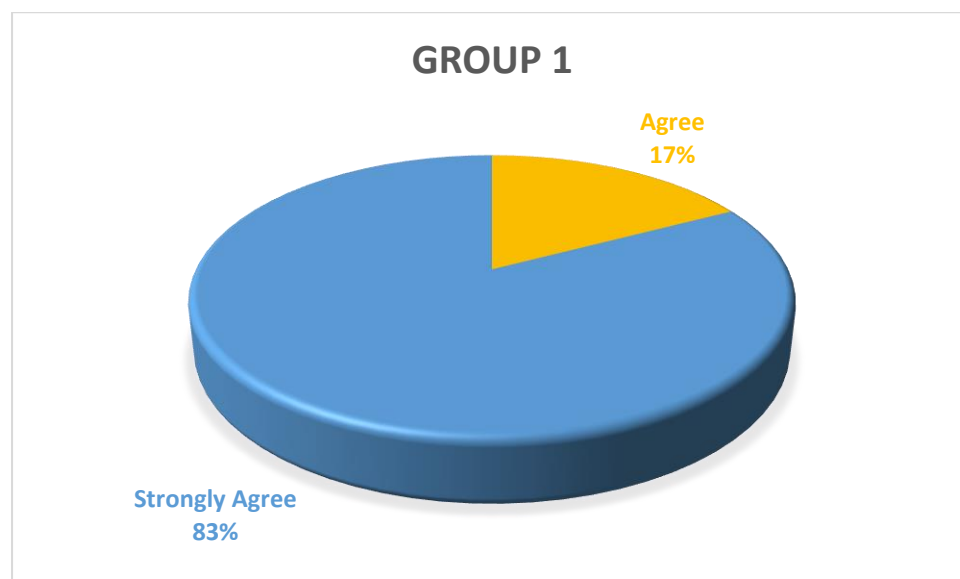
The mean value for Group 1 is 4.83, whereas it is 3.55 for Group 2 (Table 0-5). Figure 18 shows that in Group 1 organisations, 83% of employees strongly agree that they

are not asked to give or receive anything of value for such purposes, 17% of employees agree that they are not asked to give or receive anything of value for such purposes. On the other hand, in Group 2 organisations, 2% of employees strongly agree that they are not asked to give or receive anything of value for such purposes, 53% of employees agree that they are not asked to give or receive anything of value for such purposes, 3% of employees disagree with the statement, 42% of employees did not provide a clear opinion on the matter.

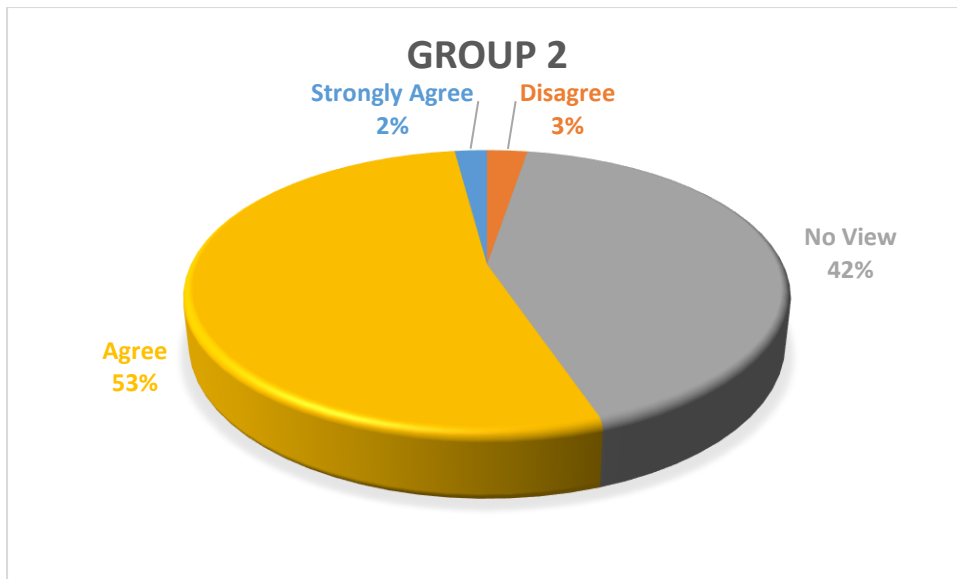
The high mean value suggests that employees in Group 1 organisations strongly agree that they are not asked to engage in transactions involving anything of value to influence or reward others.

The lower mean value for Group 2 indicates a lower level of agreement among employees in local organisations, suggesting that there might be instances or perceptions of such transactions. The substantial difference in mean values (1.28) indicates a notable contrast in the perceived occurrences of giving or receiving anything of value between the two groups.

*Figure 18: Result of Q17 - Employees are not asked to give or receive anything of value with the intention of persuading a person to act or to reward a person for having acted.*







These results indicate a strong consensus among employees in Group 1 organisations that they are not involved in practices of giving or receiving anything of value with the intention of persuading or rewarding individuals for specific actions. The overwhelming majority strongly agrees with this statement. In contrast, the responses from employees in Group 2 organisations are more varied. While a sizable percentage agree that they are not involved in such practices, a significant portion did not provide a clear opinion, and a small percentage disagreed with the statement.

Thus, in some local organisations, employees are asked to give or receive valuable gifts or something else to persuade or convince others for any special purpose. From some participants' comments:

*"I do not agree because there have been instances where employees were asked to provide gifts as a token of appreciation, even if it wasn't explicitly stated as a reward."*

*"Unfortunately, I disagree. In some situations, there's an unspoken expectation for employees to offer gifts to clients or partners, creating a grey area in our policy."*

*"Even though the policy is in place, there are occasional instances where employees feel pressured to provide gifts to maintain certain relationships, blurring the lines."*

*"I disagree because there have been cases where employees received gifts, and it seemed implicitly tied to favourable actions. It's essential to address such instances promptly."*

*"I strongly disagree as there's a need for more vigilance to ensure that employees aren't indirectly engaging in practices that violate the spirit of the policy."*

Comments below are from the employees who agreed.

*"There is no give and take incidence. Adhering to a policy that prohibits giving or receiving anything of value for personal gain helps maintain a trustworthy and ethical workplace."*

*"Yes, I agree. Our organisation's commitment to ethical conduct ensures that employees focus on their responsibilities without engaging in any improper practices."*

Many employees from Group 2 companies marked "no view" and some comments are,

*"I don't have a strong view on this. I'm aware of the policy, but I haven't personally encountered situations where employees were pressured to give or receive gifts for specific actions."*

*"I'm not taking any sides. I also do not know if there is any policy related to this. I think it would be helpful for an organisation to have a strict rule and periodically communicate and reinforce the anti-bribery policy to ensure all employees are well-informed."*

*"I don't have a clear view. I know the company policy, but I haven't witnessed instances of employees giving or receiving gifts that seemed linked to influencing actions."*

*"I think people who takes bribe they do not do it in front of everyone. So, it is difficult to make any comment on this unless someone experienced and shared with others. I haven't personally experienced or observed any situations that would suggest a violation of the policy. Regular training sessions can enhance awareness."*

*"I don't have a strong opinion. If there have been recent changes in the policy, it would be beneficial for the organisation to communicate them to employees for better understanding."*

Group 2 organisations may need to address concerns or misperceptions related to the giving or receiving items of value to align with ethical standards. On the other hand, Employees in Group 1 organisations have a significantly stronger view that they are

not involved in such transactions, reflecting a positive organisational culture. Also, some participants commented as follows:

*"This is not possible in our company. Our organisation has strict policies against any form of bribery or unethical influence. It ensures fair and transparent practices in our interactions."*

*"Agree. It's crucial for the organisation's integrity that employees are aware of and adhere to ethical standards, preventing any attempts to influence or reward through improper means."*

*"I completely agree. Having clear policies against bribery reinforces the organisation's commitment to fair and ethical behaviour."*

### **Discussion of Part 3: Ethical Responsibilities**

Descriptive statistical results from five individual statements of ethical responsibilities show that the local organisations which are not directly trading with any international traders are not following ethical activities properly. On the other hand, businesses which are dealing with foreign buyers including Australia are exercising ethical activities quite well. The main reason is, there are some terms and conditions in the agreement for these organisations that they need to confirm with management before dealing with their buyers.

These terms and conditions include advancing women's equality, promoting and developing a culture in which all stakeholders including customers, shareholders and fellow team members are treated with respect, and professional integrity and ethical behaviour are valued<sup>422</sup>. Thus, the Proposition 3 of this study is true that "Textile compliance between Australian and Pakistani RMG organisations has a significant effect on Pakistani companies' ethical responsibilities".

### **Part 4: Philanthropic Responsibilities**

The final part of the questionnaire is about companies' philanthropic responsibilities, and it is made of five statements.

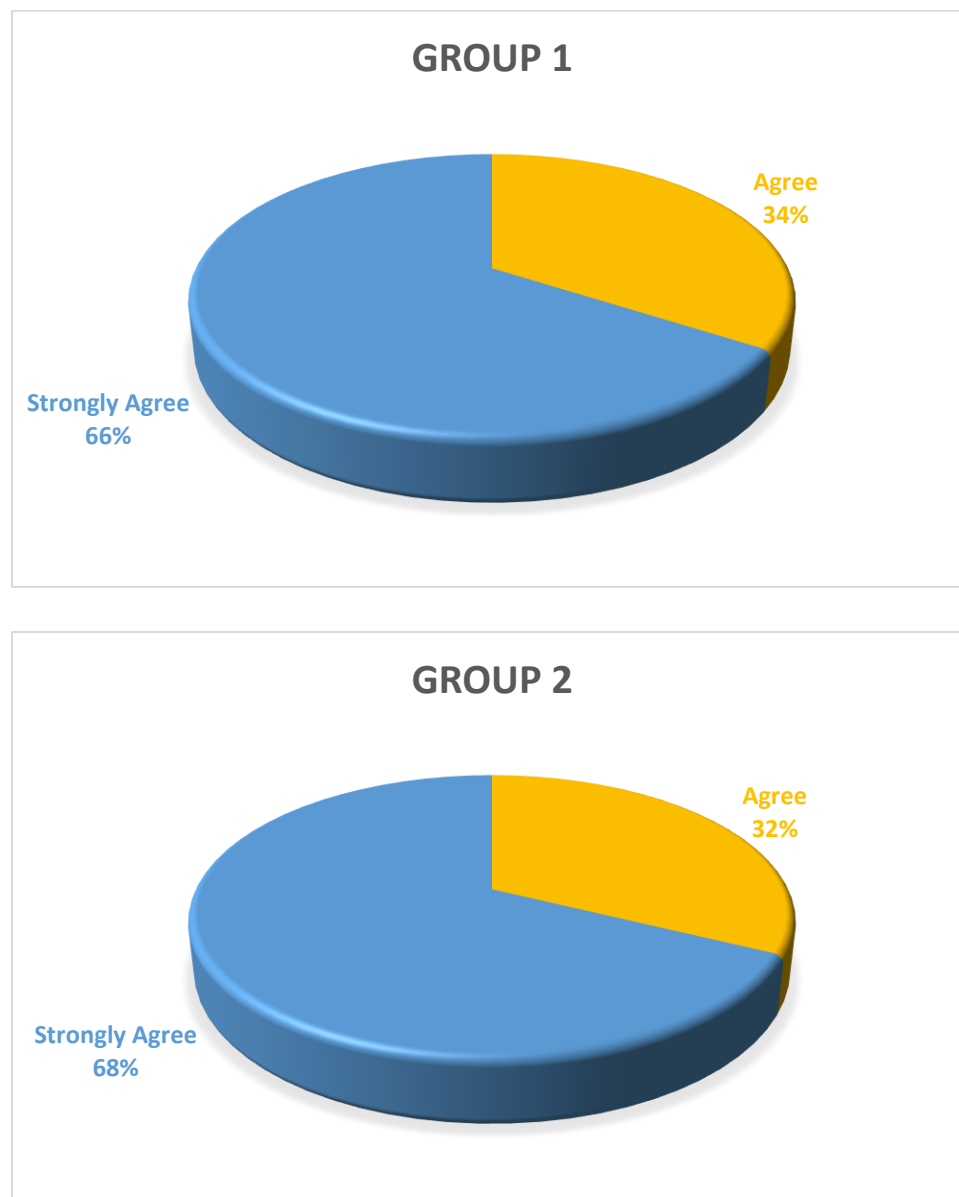
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<sup>422</sup> Jonathan Woetzel et al, 'The Power of Parity: Advancing Women's Equality in Asia Pacific,' *VOCEDplus, The International Tertiary Education and Research Database* (2018) <<https://www.voced.edu.au/content/ngv:83272>>.

The first statement of the fourth part is “The company supports charitable organisations”.

The mean values of Group 1 and Group 2 organisations are 4.66 and 4.68 respectively (Table 0-6). In Group 1 organisations, 66% of employees strongly agree that the company supports charitable organisations, and 34% of employees agree that the company supports charitable organisations. On the other hand, in Group 2 organisations, 68% of employees strongly agree that the company supports charitable organisations, and 32% of employees agree that the company supports charitable organisations (Figure 19).

Figure 19: Result of Q18 - The company supports charitable organisations.



The mean value suggests that employees in Group 1 organisations, on average, agree that their company supports charitable organisations. Similarly, the mean value for Group 2 indicates that employees in local organisations also, on average, agree that their company supports charitable organisations. The minimal difference in mean values (0.02) indicates a very slight contrast in the perceived support for charitable organisations between the two groups. Figure 19 shows that workers in Group 1 organisations have an overall favourable opinion of ethnic inclusion. People of any ethnicity can work for the company, according to a sizable majority who either strongly agree or agree with this statement. Similarly, in Group 2 organisations, there is a high level of agreement among employees regarding the company's support for charitable organisations. Thus, the result shows that most RMG organisations in Pakistan support different charity organisations, regardless of whether they trade with foreign organisations or not. Most employees, both in terms of strong agreement and agreement, perceive that their company is involved in supporting charitable causes. Participants also commented very confidently, such as,

*" ..... Our company actively participates in supporting various charitable organisations, contributing to community welfare and making a positive impact."*

*"I appreciate that our company allocates resources to charitable initiatives. It enhances our corporate social responsibility and creates a sense of purpose."*

*"Our company is committed to giving back to society. Supporting charitable organisations aligns with our values and mission."*

*"The company's involvement in charitable activities reflects a commitment to social responsibility and contributes to the betterment of the community."*

*"The company's support for charitable organisations creates a positive image and fosters a culture of social responsibility among employees."*

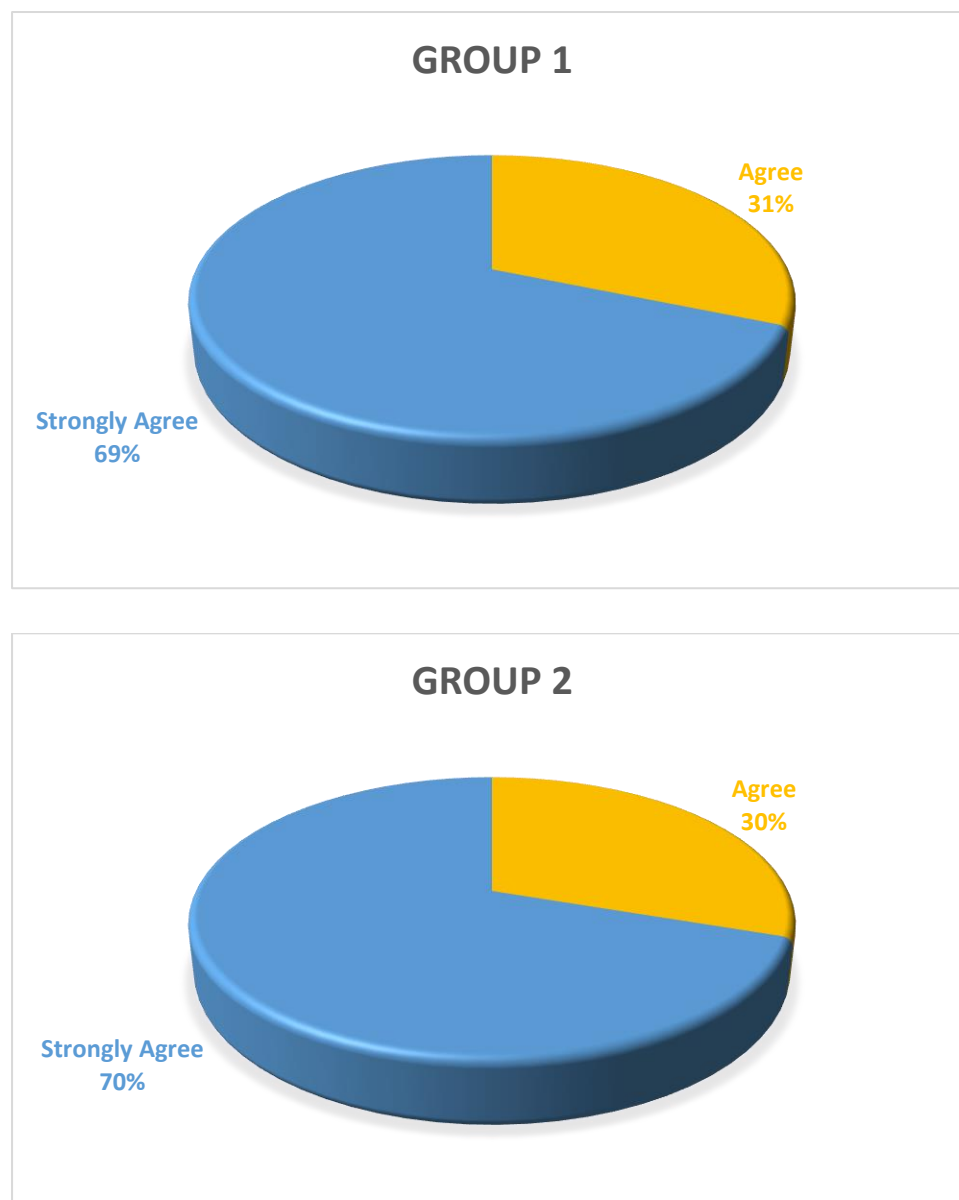
The next statement is "The company supports the local community".

Most employees from all organisations who participated in the interview either agree or strongly agree with this statement (Figure 20) which reflects on the mean values of both types of organisations (Group 1 is 4.69 and Group 2 is 4.70) (Table 0-6). In Group 1 organisations, 69% of employees strongly agree that the company supports the local

community, and 31% of employees agree that the company supports the local community. On the other hand, in Group 2 organisations, 70% of employees strongly agree that the company supports the local community, and 30% of employees agree that the company supports the local community.

The minimal difference in mean values (0.01) indicates a very slight contrast in the perceived support for the local community between the two groups.

Figure 20: Result of Q19 - The company supports the local community.



The high mean values in both groups indicate a positive perception among employees regarding their company's involvement in supporting the local community.

This implies a strong view among employees in Group 1 organisations that their company actively supports the local community. The greater part of the participants either strongly agree or agree with the statement, implying a positive view of their company's involvement in local community initiatives. Similarly, in Group 2 organisations, there is a high level of agreement among employees regarding the company's support for the local community. Most employees, both in terms of strong agreement and agreement, perceive that their company is involved in supporting local community initiatives.

The organisations in Pakistan support their local communities, according to the responses and their comments, for example:

*"Our company actively supports the local community through various initiatives, which creates a positive impact and strengthens our relationship with neighbors."*

*"It's evident that our company prioritizes the well-being of the local community. Our involvement in community support programs showcases our commitment."*

*"The company's support for the local community is visible in its efforts to address local needs and contribute to the betterment of the areas where we operate."*

*"Our company's commitment to supporting the local community enhances our corporate social responsibility and fosters a sense of community engagement."*

*"The company's initiatives, whether through volunteer programs or community partnerships, demonstrate a genuine effort to give back."*

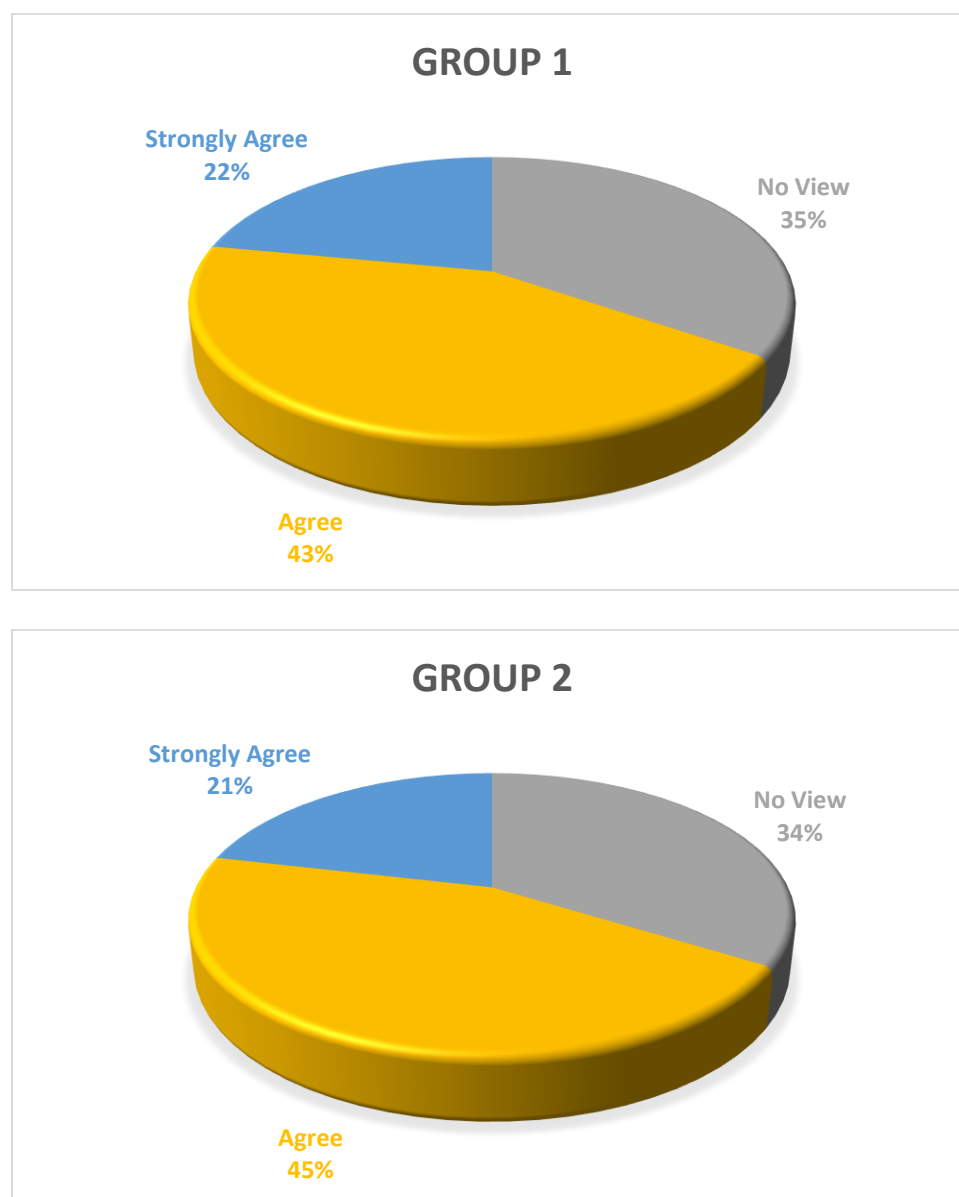
The third statement is "The company encourages or allows employees to organise charity programs".

The mean value of Group 1 is 3.87 and Group 2 is 3.88 (Table 0-6). Figure 21 shows that in Group 1 organisations, 22% of employees strongly agree that the company encourages or allows employees to organize charity programs, 43% of employees agree that the company encourages or allows employees to organise charity programs, 35% of employees did not provide a view on this statement. In Group 2 organisations, 21% of employees strongly agree that the company encourages or allows employees to organize charity programs, 45% of employees agree that the

company encourages or allows employees to organize charity programs, 34% of employees did not provide a view on this statement.

The mean value suggests that, on average, employees in Group 1 organisations somewhat agree that their company encourages or allows employees to organize charity programs. Similarly, the mean value for Group 2 indicates that, on average, employees in local organisations somewhat agree with the statement. The minimal difference in mean values (0.01) indicates a very slight contrast in the perceived encouragement or allowance for organizing charity programs between the two groups.

Figure 21: Result of Q20 - The company encourages or allows employees to organise charity programs.





The mean values, though not extremely high, indicate that employees in both groups acknowledge some level of encouragement or allowance for charity initiatives within their companies. This is because readymade garment organisations are quite busy, and employees do not get time to think about organising any charity events.

The results indicate that a substantial portion of employees in Group 1 organisations perceive that their company either strongly encourages or allows them to organize charity programs. Additionally, a considerable number of employees agree with this statement, suggesting a positive attitude towards the company's support for employee-led charitable initiatives. Very similar to Group 1, in Group 2 organisations, there is a significant level of agreement among employees regarding the company's encouragement or allowance of employee-led charity programs. A major portion of employees either strongly agree or agree with this statement, indicating a positive perception of the company's support for such initiatives.

*"I agree as our company actively encourages employees to organize charity programs, demonstrating a commitment to community engagement and social responsibility but the problem is we do have time for doing any charity activities."*

*"Absolutely right. I organised a fund-raising programme a couple of years ago. My managers allowed me to do this without thinking twice. The company's support for employees organizing charity programs fosters a sense of community involvement and allows us to contribute positively to social causes."*

*"Yes, I agree. It's great that our company promotes and supports employees in organizing charity programs. This encourages a culture of giving back and making a difference."*

*"I strongly agree. The company's encouragement of employees to initiate charity programs showcases a commitment to social impact and empowers us to contribute to meaningful causes."*

*"Our company's support for employee-led charity initiatives creates a positive environment and allows us to address social issues collectively."*

It is also noticeable that some employees do not know that the company allows them to organise charity programmes as they also commented for example,

*"I don't know anything about organising charity events. I haven't been actively involved in organizing charity programs, and it would be helpful to have more information on the company's stance."*

*"I haven't personally experienced or participated in employee-led charity programs. It would be beneficial to learn more about the company's support in this area."*

*"I don't have a clear view. If the company encourages or allows employees to organize charity programs, more communication or awareness about these opportunities would be appreciated."*

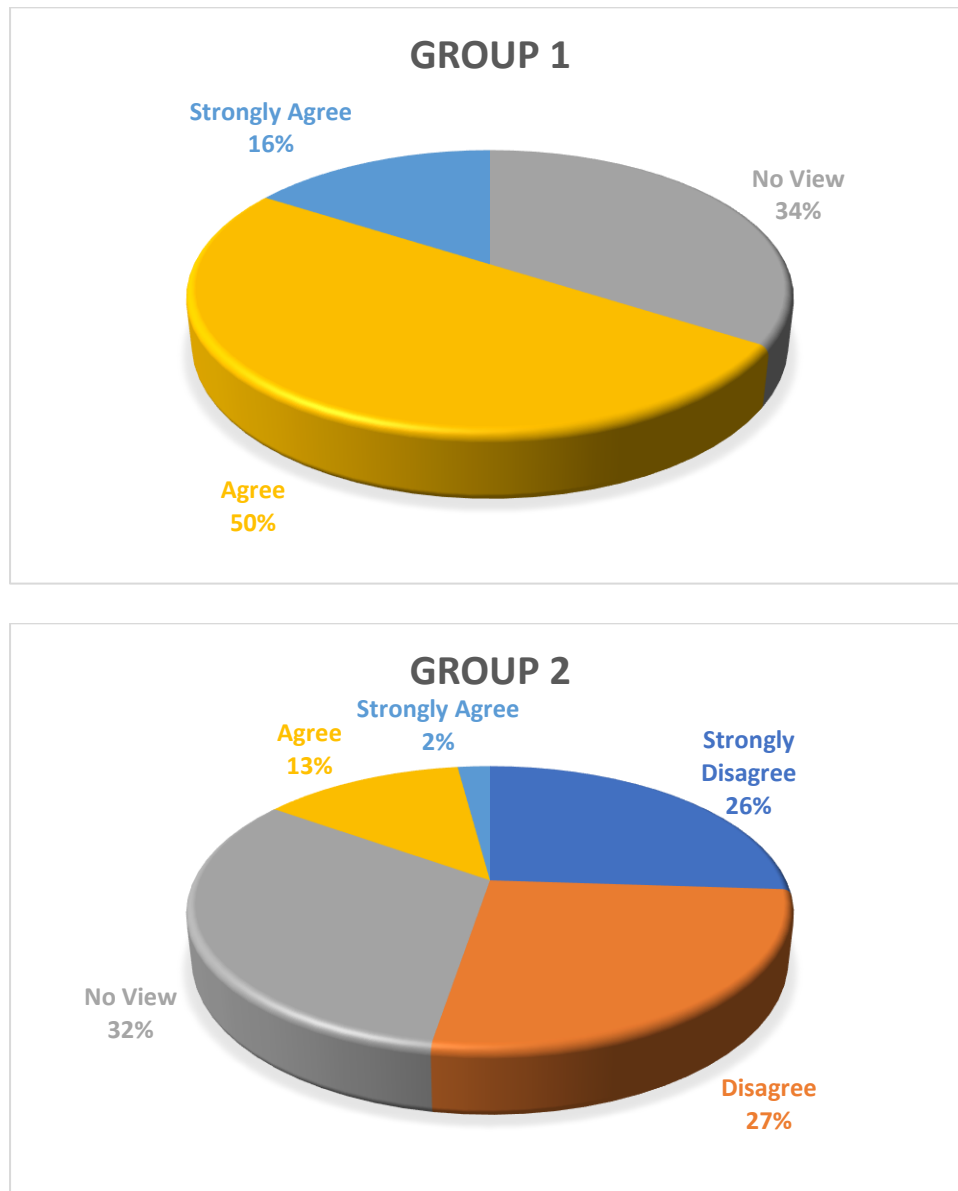
*"I haven't been directly involved in organizing charity programs within the company, and additional information or communication would be helpful."*

*"I don't have a strong opinion. If the company encourages employees to organize charity programs, more visibility into these opportunities would help employees engage more actively."*

The fourth statement is "The company recycles business waste".

The mean values of Group 1 and Group 2 organisations are 3.81 and 2.39 respectively (Table 0-6). Figure 22 shows, 16% of employees strongly agree that the company recycles business waste, 50% of employees agree that the company recycles business waste, and 34% of employees did not provide a view on this statement. On the other hand, in Group 2 organisations, 2% of employees strongly agree that the company recycles business waste, 13% of employees agree that the company recycles business waste, 32% of employees did not provide a view on this statement, 26% of employees strongly disagree that the company recycles business waste, 27% of employees disagree that the company recycles business waste.

Figure 22: Result of Q21 - The company recycles business waste.



In Group 1 organisations, the higher mean value suggests that their company actively participates in recycling business waste.

These results indicate that a majority of employees in Group 1 organisations perceive that their company either strongly agrees or agrees to recycle business waste. However, a significant portion of employees did not express a view on this statement, suggesting a lack of awareness or clarity regarding the company's waste recycling practices.

Some of their comments are as follows:

*"Our company has a strong waste recycling program in place, which reflects a commitment to environmental sustainability."*

*"The company actively participates in recycling business waste, contributing to environmental responsibility and reducing our ecological footprint. We have contract with recycling companies who collect or wastes and recycle them."*

*"Yes, I agree. Our company's dedication to recycling business waste demonstrates a proactive approach to environmental conservation and responsible business practices."*

*"I don't have a clear view. If the company is actively recycling business waste, more communication or awareness about these initiatives would be appreciated."*

*"I strongly agree. The company's commitment to recycling aligns with sustainability goals, and it's great to be part of an environmentally conscious workplace."*

*"Our company is committed to eco-friendly practices and corporate social responsibility. We recycle the business wastes regularly through waste recycle companies."*

On the other hand, in Group 2 organisations, the lower mean value (2.39) suggests that these companies may not be as actively involved in recycling business waste.

In Group 2 organisations, there is a lower level of agreement among employees regarding the company's recycling of business waste. A minority of employees either strongly agree or agree with this statement. Moreover, a significant portion of employees did not provide a view, indicating a lack of clarity or awareness about the company's waste recycling practices. Furthermore, a sizable portion of workers disagree or strongly disagree with the statement, indicating scepticism or discontent with the organisation's waste management initiatives. Some employees' comments are:

*"Unfortunately, I disagree. From my perspective, the company hasn't prioritised recycling business waste, and there's room for improvement in adopting more sustainable practices."*

*"I haven't observed a significant effort from the company in recycling business waste. Enhancing recycling initiatives could contribute to a greener workplace."*

*"Disagree. I don't see a strong emphasis on recycling business waste within the company. A more proactive approach in this area would be beneficial for our environmental impact."*

*"I did not see any initiatives taken by the company for recycling business waste."*

*"I disagree because, in my experience, the company's efforts in recycling business waste are not prominent."*

*"If the company is recycling business waste, more visibility into these initiatives would help employees understand and support these efforts."*

Table 10: Statistical analysis of Q18-Q22.

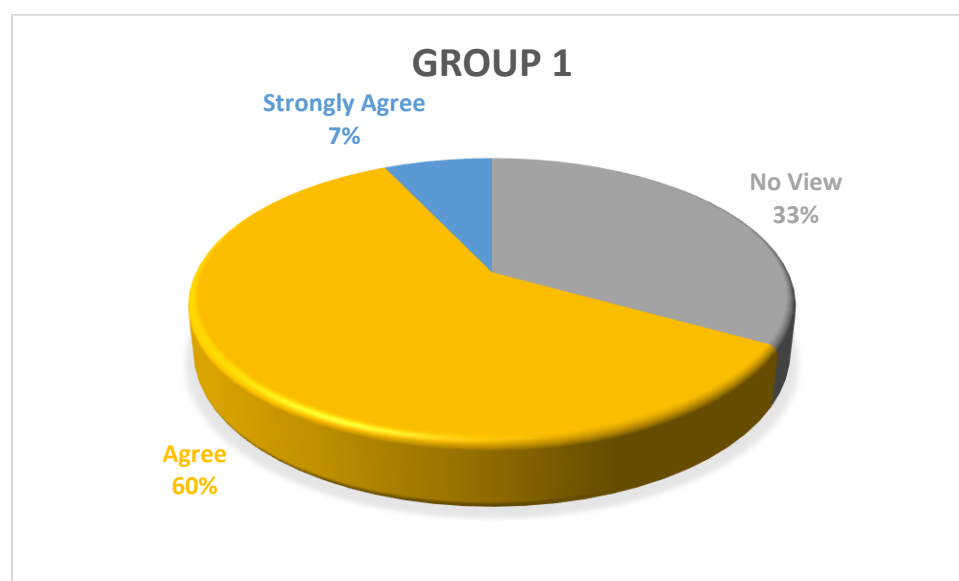
Group Statistics					
	Participant's company trades with Australian companies	N	Mean	Std. Deviation	Std. Error Mean
Q18	Trades with international business including Australia	214	4.66	.475	.032
	Local company	192	4.68	.469	.034
Q19	Trades with international business including Australia	214	4.69	.465	.032
	Local company	192	4.70	.460	.033
Q20	Trades with international business including Australia	214	3.87	.743	.051
	Local company	192	3.88	.734	.053
Q21	Trades with international business including Australia	214	3.81	.694	.047
	Local company	192	2.39	1.072	.077
Q22	Trades with international business including Australia	214	3.74	.579	.040
	Local company	192	3.76	.586	.042

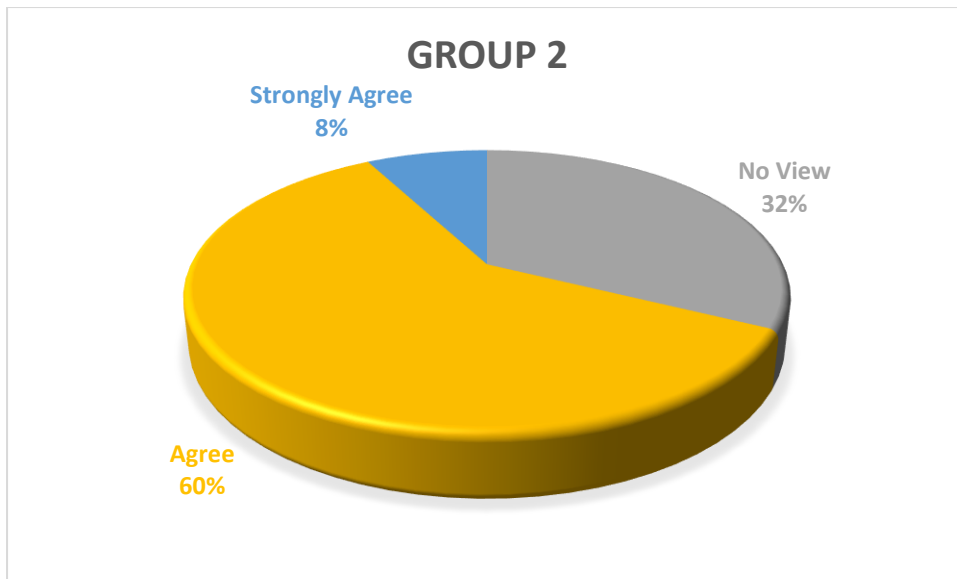
Fifth statement is "The company makes sure that any hazardous waste is correctly classified, and they are either disposed of or recovered at an appropriately authorised facility".

The mean value of Group 1 is 3.74 and Group 2 is 3.76 (Table 0-6). Figure 23 demonstrates that, among employees in Group 1 organisations, 7% strongly agree that the company makes sure that any hazardous waste is correctly classified, disposed of, or recovered at a facility that has been authorised; 60% of employees agree with this statement, and 33% of employees did not express an opinion. On the other hand, employees in Group 2 organisations are divided on this issue: 8% strongly agree that the company makes sure that any hazardous waste is correctly classified, disposed of, or recovered at a facility that has been authorised; 60% agree, and 32% do not have an opinion on this matter.

The means of both groups are very close to each other, with Group 2 having a marginally higher average score than Group 1. The findings suggest that most workers in Group 1 companies either agree or strongly agree that their organisation makes sure hazardous waste is properly classified, disposed of, or recovered. The fact that a sizable percentage of workers remained silent in response to this statement, however, suggests that they are unclear or unaware of the company's hazardous waste management procedures. Many workers in Group 2 organisations, like in Group 1 organisations, either strongly agree or agree with the statement on hazardous waste management. Significantly more workers than not offered an opinion, suggesting either ignorance or misunderstanding of the business's procedures in this regard.

*Figure 23: Result of Q22 - The company makes sure that any hazardous waste is correctly classified and they are either disposed of or recovered at an appropriately authorised facility.*





It seems employees do not have a clear idea about hazardous waste. For this question employees' comments were also not as numerous as in other questions. Some notable comments are:

*"Our company takes thorough measures to classify hazardous waste correctly, ensuring responsible disposal or recovery at authorized facilities for the safety of the environment and community."*

*"The company's commitment to proper classification and disposal of hazardous waste, aligning with environmental regulations and corporate responsibility."*

*"The company strictly cares about classifying and appropriately handling hazardous waste."*

*"Our company prioritizes the correct classification and proper disposal or recovery of hazardous waste at authorized facilities."*

*"The company manages hazardous waste properly. Our buyers are also concerned about this."*

#### **Discussion of Part 4: Philanthropic Responsibilities**

Descriptive statistical results from five individual statements of the philanthropic responsibilities show that both types of RMG organisations are quite generous and they help local communities and charity organisations voluntarily. This means that trading or not trading with foreign organisations including Australia does not make any difference to practice philanthropic activities by the businesses in Pakistan. The

reason is overall Pakistan is a very generous country in terms of giving donations, helping others financially, and doing any charity activities because of Islamic culture. Research shows it gives more than one per cent of its GDP to charitable causes, placing it in the same league as much wealthier nations like the United Kingdom and Canada, and is roughly twice as generous as India in terms of GDP<sup>423</sup>. Business organisations support local communities, and individuals directly along with through third-party charity organisations and NGOs. Therefore, Australian fashion brands do not have any impact on Pakistani RMG organisations' philanthropic activities means "Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities" which is the fourth proposition of this study.

### 6.3 Summary

From the questionnaire analysis, it is clear how Australian RMG businesses can have an impacts on the CSR practices of Pakistani textile organisations. There are four parts of the questionnaires, and they are based on Carroll's CSR responsibilities model. After analysing both qualitative and quantitative primary data, following propositions are established.

- Australian businesses have no significant effects on Pakistani RMG organisations for being profitable.
- Textile company compliance between Australian and Pakistani RMG organisations has a positive impact on the legal responsibilities of Pakistani organisations.
- Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities.

Only the third proposition is partially proven which is "Textile compliance between Australian and Pakistani RMG organisations have a significant effect on Pakistani companies' ethical responsibilities".

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<sup>423</sup> 'Philanthropy in Pakistan (SSIR),' (C) 2005-2023  
<[https://ssir.org/articles/entry/philanthropy\\_in\\_pakistan#bio-footer](https://ssir.org/articles/entry/philanthropy_in_pakistan#bio-footer)>.



In the next chapter qualitative secondary data were analysed to compare the CSR activities in RMG industries of Australia and Pakistan from legal perspectives.

# Chapter 7: Secondary Data Analysis

## 7.1 Introduction

In the previous chapter questionnaire data was analysed and propositions were established which verified that some CSR activities in RMG organisations in Pakistan are influenced by the garment organisations of Australia. This chapter analyses qualitative secondary data including CSR laws and Guidelines and 72 annual reports from both countries to compare CSR practices by clothing companies. In addition, the rules and regulations promulgated in Australia and Pakistan are also compared. This chapter also explores some incidents of the Pakistani RMG industry.

## 7.2 International CSR Guidelines

In chapter 3 section 3.2 broadly discussed international guidelines for CSR. In general, there are voluntary guidelines that can be used as inspiration for businesses and governments. There are several guidelines provided by different organisations such as OECD, United Nation (UN), International Trading Organisation (ISO), Global Reporting Initiative (GRI), and the European Union (EU)<sup>424</sup>. The main four guidelines are provided by ISO, OECD, UNGC (UN Global Compact) and UNGP (UN Guiding Principles)<sup>425</sup>. The primary aim of the four global guidelines is to create a worldwide foundation for ethical business practices on an international scale. These guidelines complement one another and cover a wide array of topics, encompassing numerous issues and subtopics. It's important to note that these guidelines exhibit variations in terminology and wording. By comparing the contents of the four guidelines, Marie Gradert and Peter Engel divided them into the following six topics<sup>426</sup>:

- Human rights

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<sup>424</sup> State Secretariat for Economic Affairs SECO, 'International CSR Standards and Developments' <[https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik\\_Wirtschaftliche\\_Zusammenarbeit/Wirtschaftsbeziehungen/nachhaltigkeit\\_unternehmen/gesellschaftliche\\_verantwortung\\_der\\_unternehmen/internationale-csr-standards-und-entwicklungen.html](https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/nachhaltigkeit_unternehmen/gesellschaftliche_verantwortung_der_unternehmen/internationale-csr-standards-und-entwicklungen.html)>.

<sup>425</sup> Mariëtte Van Huijstee and Martje Theuws, 'Corporate Responsibility Instruments A Comparison of the OECD Guidelines, ISO 26000 + the UN Global Compact' (2016) *ResearchGate* <[https://www.researchgate.net/publication/304660043\\_Corporate\\_Responsibility\\_Instruments\\_A\\_Comparison\\_of\\_the\\_OECD\\_Guidelines\\_ISO\\_26000\\_the\\_UN\\_Global\\_Compact](https://www.researchgate.net/publication/304660043_Corporate_Responsibility_Instruments_A_Comparison_of_the_OECD_Guidelines_ISO_26000_the_UN_Global_Compact)>.

<sup>426</sup> Marie Gradert and Peter Engel, *A Comparison of 4 International Guidelines for CSR* (Danish Standards for Danish Business Authority, 2015) <[https://iso26000.info/wp-content/uploads/2016/03/Danish\\_Business\\_Authority\\_\\_A\\_comparison\\_of\\_4\\_international\\_guidelines\\_for\\_CSR\\_2015.pdf](https://iso26000.info/wp-content/uploads/2016/03/Danish_Business_Authority__A_comparison_of_4_international_guidelines_for_CSR_2015.pdf)>.

- Labour
- Environment
- Economic and business issues
- Consumer issues
- Community development

It's important to note that all four guidelines refer to:

- The UN Universal Declaration of Human Rights and
- The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work

These guidelines are summarised in the table below.

Table 11: Comparison of four international CSR guidelines<sup>427</sup>

OECD	ISO 26000	UNGC	UNGP
Aim			
Provide recommendations from OECD adhering governments regarding responsible business conduct	Contribute to sustainable development	Encourage businesses worldwide to adopt sustainable and socially responsible policies and practices	How governments and businesses should work with human rights, including rights in relation to labour.
Date of adoption			
The OECD Guidelines were adopted in 1976.	1 November 2011	26 July 2000	16 June 2011
Human rights			
<ul style="list-style-type: none"> <li>• Protection and respect</li> <li>• Political involvement</li> <li>• Policy</li> <li>• Due diligence</li> <li>• Remedy</li> </ul>	<ul style="list-style-type: none"> <li>• Protection and respect</li> <li>• Political involvement</li> <li>• Policy</li> <li>• Due diligence</li> <li>• Remedy</li> <li>• Human rights risk situations</li> <li>• Resolving grievances</li> <li>• Discrimination of vulnerable groups</li> </ul>	<ul style="list-style-type: none"> <li>• Protection and respect</li> <li>• Political involvement</li> <li>• Policy</li> <li>• Due diligence</li> <li>• Remedy</li> </ul>	<ul style="list-style-type: none"> <li>• Protection and respect</li> <li>• Political involvement</li> <li>• Due diligence</li> <li>• Remedy</li> </ul>

<sup>427</sup> Mariëtte Van Huijstee and Martje Theuws, 'Corporate Responsibility Instruments A Comparison of the OECD Guidelines, ISO 26000 + the UN Global Compact' (2016) *Research Gate* <[https://www.researchgate.net/publication/304660043\\_Corporate\\_Responsibility\\_Instruments\\_A\\_Comparison\\_of\\_the\\_OECD\\_Guidelines\\_ISO\\_26000\\_the\\_UN\\_Global\\_Compact](https://www.researchgate.net/publication/304660043_Corporate_Responsibility_Instruments_A_Comparison_of_the_OECD_Guidelines_ISO_26000_the_UN_Global_Compact)>; Marie Gradert and Peter Engel, *A Comparison of 4 International Guidelines for CSR* (Danish Standards for Danish Business Authority, 2015) <[https://iso26000.info/wp-content/uploads/2016/03/Danish\\_Business\\_Authority\\_\\_A\\_comparison\\_of\\_4\\_international\\_guidelines\\_for\\_CSR\\_2015.pdf](https://iso26000.info/wp-content/uploads/2016/03/Danish_Business_Authority__A_comparison_of_4_international_guidelines_for_CSR_2015.pdf)>.

	<ul style="list-style-type: none"> <li>• Fundamental rights at work (ISO deals with the issue under human rights in contrast to other guidelines that address the issue under labour practices)</li> </ul>		
Labour			
<ul style="list-style-type: none"> <li>• Employment relationships</li> <li>• Workers' rights, including the right to join labour unions and to collective bargaining</li> <li>• Forced labour</li> <li>• Child labour</li> <li>• Equality of treatment/discrimination in employment and occupation</li> <li>• Occupational health and safety</li> <li>• Employing local workers and providing training</li> <li>• Creating employment opportunities and facilitating training opportunities</li> <li>• Promoting consultation and cooperation between employers and workers</li> </ul>	<ul style="list-style-type: none"> <li>• Employment relationships</li> <li>• Workers' rights, including the right to join trade unions and to collective bargaining (also included here as the issue corresponds to the other guidelines)</li> <li>• Working conditions and social protection</li> <li>• Forced labour</li> <li>• Child labour</li> <li>• Discrimination in employment and occupation</li> <li>• Cap on weekly working hours</li> <li>• Health and safety at work</li> <li>• Development opportunities at work</li> <li>• Local job creation and skills development</li> <li>• Social dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Employment relationships</li> <li>• Workers' rights, including the right to join labour unions and to collective bargaining</li> <li>• Forced labour</li> <li>• Child labour</li> <li>• Discrimination in employment and occupation</li> </ul>	<ul style="list-style-type: none"> <li>• Employment relationships</li> <li>• Workers' rights, including the right to join labour unions and to collective bargaining</li> <li>• Forced labour</li> <li>• Child labour</li> <li>• Discrimination in employment and occupation</li> </ul>
Community development			
<ul style="list-style-type: none"> <li>• Local capacity building</li> <li>• Employment opportunities</li> <li>• Training of employees</li> <li>• Employing local workers</li> <li>• Providing education and training</li> <li>• Science and technology</li> </ul>	<ul style="list-style-type: none"> <li>• Community involvement and development</li> <li>• Education and culture</li> <li>• Employment creation and skills development</li> <li>• Technology development and access</li> <li>• Wealth and income creation</li> <li>• Health</li> <li>• Investments in communities</li> </ul>	N/A	N/A

Economic and business issues			
<ul style="list-style-type: none"> <li>• Combating bribery and extortion</li> <li>• Involvement in local political activities</li> <li>• Competition</li> <li>• Taxation</li> <li>• Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Fair operating practices</li> <li>• Anti-corruption</li> <li>• Responsible political involvement</li> <li>• Organisational governance</li> <li>• Fair competition</li> <li>• Transparency</li> <li>• Respect for property rights</li> <li>• Promoting social responsibility in the value cha</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Indirect transparency and disclosure of information, as annual reporting to enterprises is required</li> </ul>	<ul style="list-style-type: none"> <li>• Business relations</li> <li>• Communication</li> </ul>

Generally, these guidelines are voluntary and therefore not enforceable through regulatory means. In many countries such as Denmark, several of the issues of the guidelines are subject to legislation<sup>428</sup>. This is clear evidence of reflexive laws which indicates the role of CSR laws is very important. In the previous chapter, it has been identified how Australian companies have some influence on Pakistani organisations' CSR activities based on Carroll's pyramid model.

This chapter tries to show what roles Law and enforcement systems can play in companies' CSR practices. In the following section, this study compares annual reports of RMG organisations in Pakistan and Australia considering their CSR activities.

### 7.3 Annual Report Analysis

CSR reporting has become a common practice for companies that are committed to sustainability, ethical practices, and social responsibility<sup>429</sup>. These reports provide stakeholders, including investors, customers, employees, and the public, with insights into the company's efforts to address environmental, social, and governance (ESG) issues. After analysing the literature on CSR revelation in garment companies' annual reports it has been identified that they disclose their Corporate Social Responsibility

<sup>428</sup> Karin Buhmann, 'The Danish CSR Reporting Requirement as Reflexive Law: Employing CSR as a Modality to Promote Public Policy Objectives Through Law.' (2013) 24(2) *European Business Law Review* 187, 216.

<sup>429</sup> 'What Is a CSR Report & Why Is It Important?,' *Business Insights Blog* (April 20, 2021) <<https://online.hbs.edu/blog/post/what-is-a-csr-report>>.

activities in their annual reports which cover a wide range of topics. This has been summarised in table 0-2 below.

*Table 12: CSR disclosures in annual reports of RMG companies*

Keywords	Sub-themes	Themes
Environment, carbon emissions, carbon footprint, net zero, energy, reducing waste	<ul style="list-style-type: none"> <li>• Protecting environment,</li> <li>• Impact on the environment,</li> <li>• Energy saving and waste reduction strategy.</li> </ul>	Environmental Initiatives
Wellbeing, employee benefits, workplace safety, health and safety, mental health, diversity and inclusion, child labour, fair labour, development and training.	<ul style="list-style-type: none"> <li>• Employee well-being,</li> <li>• Diversity and inclusion in the workplace,</li> <li>• Fair labour practices,</li> <li>• Employee development plan</li> </ul>	Labour and Workplace Practices
Ethics, ethical supplier, human rights, child labour, conditions, environment, society.	<ul style="list-style-type: none"> <li>• Ethical practices in the supply chain,</li> <li>• Labour codes,</li> <li>• Considering human rights,</li> <li>• Impacts on environment and society.</li> </ul>	Supply Chain Responsibility
Charity, development, support, local community, education, healthcare, social welfare.	<ul style="list-style-type: none"> <li>• Charity events,</li> <li>• Helping local communities,</li> </ul>	Community Engagement

	<ul style="list-style-type: none"> <li>• Social welfare.</li> </ul>	
Business ethics, integrity, corruption, transparency, ethical standards.	<ul style="list-style-type: none"> <li>• Stands against corruption,</li> <li>• Promoting ethical activities.</li> </ul>	Ethical Business Practices
Engagement, collaborations, relationships, stakeholders, customers, investors, employees, involvement, suppliers, support groups.	<ul style="list-style-type: none"> <li>• Shareholder activism,</li> <li>• Relationships between companies and their stakeholders</li> </ul>	Stakeholder Engagement
Sustainable Development Goals, sustainability goals, targets, progress, performance measurement.	<ul style="list-style-type: none"> <li>• Integrating Sustainable Development Goals,</li> <li>• Setting targets,</li> <li>• Measure performance</li> </ul>	Sustainability Goals and Progress

**Environmental Initiatives:** Companies detail their efforts to minimize their environmental impact, such as reducing greenhouse gas emissions, conserving energy and water, and implementing waste reduction strategies. This helps businesses to attain sustainable competitiveness<sup>430</sup>.

**Labour and Workplace Practices:** Companies discuss initiatives related to employee welfare, health and safety, diversity and inclusion, fair labour practices, and

<sup>430</sup> Safeer Alam and Kamrul Islam, 'Examining the Role of Environmental Corporate Social Responsibility in Building Green Corporate Image and Green Competitive Advantage' (2021) 6(1) *International Journal of Corporate Social Responsibility* <<https://doi.org/10.1186/s40991-021-00062-w>>.

employee development and training. This is called Labour Social Responsibilities, and it has a direct and positive impact on companies' reputations<sup>431</sup>.

**Supply Chain Responsibility:** Businesses provide information about how they monitor and ensure ethical practices in their supply chain, including issues related to labour conditions, human rights, and environmental impacts. The supply chain plays a significant role in business performance. Numerous research shows the integration of CSR by companies in their supply chains has great importance and businesses all over the world actively adopt different types of CSR in their supply chain<sup>432</sup>.

**Community Engagement:** It is also evident that companies highlight their contributions to local communities through philanthropic activities, community development projects, and initiatives that support education, healthcare, and social welfare. This lets them use their proficiency and show the human face of the business at the same time<sup>433</sup>.

**Ethical Business Practices:** Companies disclose their efforts to combat corruption, promote transparency, and uphold ethical standards in their business operations. It is one of the main responsibilities of businesses to be corporate good citizens<sup>434</sup> and therefore they report these practices.

**Stakeholder Engagement:** The study also found that reporting often includes information about how companies engage with various stakeholders, including customers, investors, employees, suppliers, and advocacy groups. This helps to meet businesses' objectives to develop relationships with stakeholders to understand better their perceptions and involvements on key issues and to integrate those views and concerns into the company's corporate strategy<sup>435</sup>.

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<sup>431</sup> María D Odriozola, Antonio Eduardo Humero Martín and Ladislao Luna, 'The Relationship between Labour Social Responsibility Practices and Reputation' (2015) 36(2) *International Journal of Manpower* 236.

<sup>432</sup> Nikunja Mohan Modak et al, 'Corporate Social Responsibility and Supply Chain Management: Framing and Pushing Forward the Debate' (2020) 273 *Journal of Cleaner Production* 122981.

<sup>433</sup> Linda Deigh et al, 'Corporate Social Responsibility: Engaging the Community' (2016) 19(2) *Qualitative Market Research: An International Journal* 225.

<sup>434</sup> Patrizia Gazzola and Gianluca Colombo, 'Ethics and CSR: The Strategy Debate' (2014) 16(1) *Confluências / Revista Interdisciplinar De Sociologia E Direito* 84.

<sup>435</sup> The Harvard Law School Forum on Corporate Governance, 'The Corporate Social Responsibility Report and Effective Stakeholder Engagement,' *The Harvard Law School Forum on Corporate Governance* (December 28, 2013) <<https://corpgov.law.harvard.edu/2013/12/28/the-corporate-social-responsibility-report-and-effective-stakeholder-engagement/>>.



**Sustainability Goals and Progress:** Companies outline their sustainability goals, targets, and performance metrics, showcasing their progress toward achieving them. SDGs are the most all-inclusive framework for comprehensive growth<sup>436</sup>. Businesses will not succeed if society fails. Therefore, it is important to value that SDGs provide an opportunity for them and societies to survive and do well together<sup>437</sup>.

Organisations share more information about their CSR practices to gain positive support from stakeholders<sup>438, 439</sup>. These disclosures serve multiple purposes which can be themed as follows:

**Transparency:** They provide transparency to stakeholders about the company's values, practices, and their impact on society and the environment.

**Accountability:** They hold companies accountable for their commitments to ethical, sustainable, and responsible practices.

**Investor Considerations:** Investors increasingly consider ESG factors when making investment decisions. CSR reporting helps investors evaluate a company's long-term viability and risk management.

**Reputation Management:** Positive CSR efforts can enhance a company's reputation, customer loyalty, and brand value.

It is important to note that the extent and depth of CSR reporting vary among companies, and some provide more comprehensive information than others. Additionally, the regulatory environment and stakeholder expectations can influence the level of detail and rigour in CSR reporting.

This study also compared the annual reports of Australian and Pakistani Garment Companies. In most cases, Australian organisations report CSR Comprehensively.

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<sup>436</sup> Avinash Pratap Singh and Zillur Rahman, 'Integrating Corporate Sustainability and Sustainable Development Goals: Towards a Multi-Stakeholder Framework' (2021) 8(1) *Cogent Business & Management* <<https://doi.org/10.1080/23311975.2021.1985686>>.

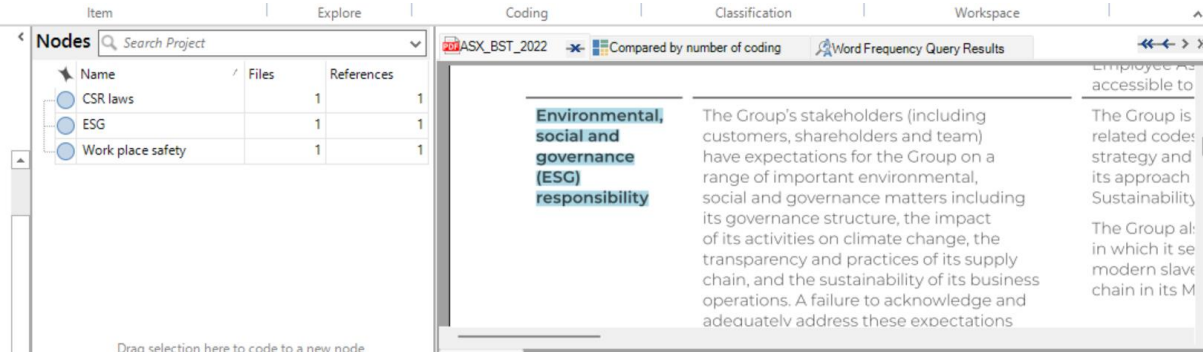
<sup>437</sup> C Pedersen, 'The UN Sustainable Development Goals (SDGs) Are a Great Gift to Business!' (2018) 69 *Procedia CIRP* 21 <<https://doi.org/10.1016/j.procir.2018.01.003>>.

<sup>438</sup> Kamaliah Kamaliah, 'Disclosure of Corporate Social Responsibility (CSR) and Its Implications on Company Value as a Result of the Impact of Corporate Governance and Profitability' (2020) 62(4) *International Journal of Law and Management* 339.

<sup>439</sup> Philipp Schreck, 'Disclosure (CSR Reporting)' in Springer EBooks (2013) 801 <[https://doi.org/10.1007/978-3-642-28036-8\\_145](https://doi.org/10.1007/978-3-642-28036-8_145)>.

These reports often cover a wide range of topics related to environmental, social, and governance (ESG) performance (Figure 1).

Figure 24: Example of an Australian company's annual report (NVivo analysis)

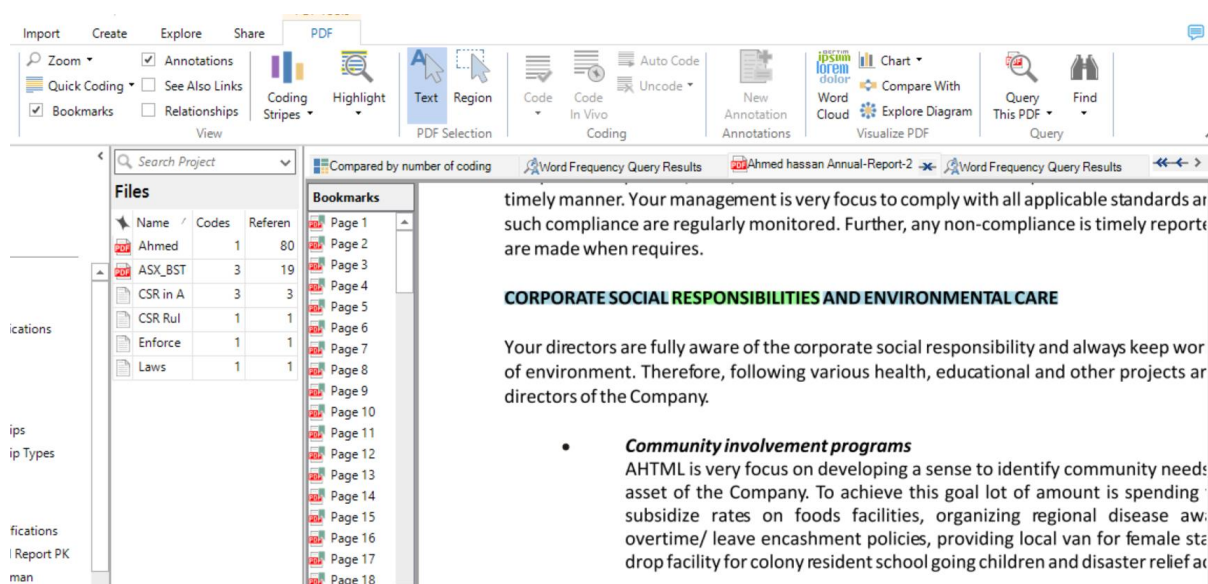


Companies from Australia and Pakistan may provide detailed information about their sustainability goals, progress, and performance metrics. Australian companies with significant operations are required to report on modern slavery risks and actions taken to address these issues under the Modern Slavery Act<sup>440</sup>. This has led to increased transparency regarding supply chain practices. They also include sustainability metrics such as carbon emissions, water usage, waste reduction, and ethical sourcing practices in their reports. Australian companies frequently discuss their engagement with stakeholders, including customers, employees, investors, and community organisations.

On the other hand, CSR reporting practices among Pakistani garment companies is more varied. While some companies do disclose CSR activities in their annual reports, the level of detail and scope can vary significantly. In Pakistan there are stringent regulations requiring comprehensive CSR reporting<sup>441</sup> however there is a lack of standardized practices. Pakistani garment companies that do report on CSR activities often emphasize community development initiatives, including education, healthcare, and local welfare programs (Figure 2).

<sup>440</sup> HollyAnn Walters-Quan, ‘Modern Slavery Law in Australia,’ *Pinsent Masons* (Online, May 2, 2024) <<https://www.pinsentmasons.com/out-law/guides/modern-slavery-law-in-australia>>.  
<sup>441</sup> Samreen Hamid, Zahid Riaz and Syed Muhammad Waqar Azeem, ‘Carroll’s Dimensions and CSR Disclosure: Empirical Evidence from Pakistan’ (2020) 20(3) *Corporate Governance* 365.

Figure 25: Example of a Pakistani company's annual report (NVivo analysis)



Some reports from Pakistani garment companies highlight fair labour practices and health and safety measures for employees. While stakeholder engagement is mentioned in some reports, it may not be as detailed or extensive as in Australian reports.

Table 13: Comparison between Australian and Pakistani organisations' CSR reporting

Annual Report Analysis		
Actions	Australia	Pakistan
CSR Disclosure	All listed organisations disclose CSR activities.	Significant number of listed companies do not disclose CSR actions.
CSR report	Mostly comprehensive.	Some are comprehensive but others provide general and traditional activities.

In summary, Australian garment companies tend to have more established and comprehensive CSR reporting practices, driven by regulatory requirements, investor and consumer expectations, and a focus on sustainability. In contrast, Pakistani garment companies may have a more varied approach to CSR reporting, with some companies emphasizing community development and labour practices. It's important

to note that both countries particularly Pakistan have seen developments in CSR reporting practices in the last decade<sup>442</sup>.

## 7.4 Comparison of CSR Rules and Regulations Between Australia and Pakistan

Chapter 3 provided CSR rules and regulations in Pakistan and Australia. Based on those information key comparison of Corporate Social Responsibility (CSR) rules and regulations between Australia and Pakistan are explained below:

### Australia:

Australia has a well-developed legal framework for CSR. The government encourages companies to engage in responsible business practices through a combination of legislation, guidelines, and voluntary initiatives.

**Modern Slavery Act:** Australia has enacted the Modern Slavery Act in 2018<sup>443</sup>, which requires large businesses with a minimum turnover of AUD\$100 million to report on the actions they have taken to mitigate modern slavery risks within their supply chains.

**Sustainability Reporting:** Many large Australian companies voluntarily publish sustainability or CSR reports, disclosing their environmental, social, and governance (ESG) performance.

**Australian Stock Exchange (ASX) Corporate Governance Principles:** The ASX has principles and recommendations on corporate governance, which include considerations related to CSR and sustainability<sup>444</sup>.

### Pakistan:

Pakistan's CSR regulations are not as comprehensive as those of Australia. The country lacks specific legislation solely dedicated to CSR practices.

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<sup>442</sup> Sadaf Ehsan et al, 'A Multimethod Approach to Assess and Measure Corporate Social Responsibility Disclosure and Practices in a Developing Economy' (2018) 10(8) *Sustainability* 2955.

<sup>443</sup> Anthesisjacinta, 'What Is the Modern Slavery Act Australia and How to Comply? | Anthesis Australia,' *Anthesis* (April 24, 2024) <<https://www.anthesisgroup.com/au/insights/what-is-the-modern-slavery-act-australia-and-how-to-comply/>>.

<sup>444</sup> ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations 4th Edition 2019* (2019) 20 <<https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf>>.

**Companies Act 2017:** The Companies Act 2017<sup>445</sup> encourages companies to engage in CSR activities, but it does not mandate compulsory reporting or specify the scope and nature of CSR initiatives.

**Voluntary CSR Initiatives:** Many companies in Pakistan undertake CSR activities voluntarily, driven by their own corporate values and social commitment.

**SECP Guidelines:** Pakistan has presented directing interferences to strengthen the law of CSR disclosure in 2009. Securities and Exchange Commission of Pakistan (SECP) has instructed disclosure of CSR practices through Statutory Regulatory Order (SRO) 2009<sup>446</sup>. Later in 2013, more comprehensive guidelines have been provided by the SECP to encourage companies to engage in CSR and sustainability reporting<sup>447</sup>.

### **Enforcement and Implementation:**

The regulatory framework in Australia is more developed, and non-compliance with CSR reporting requirements may lead to penalties and reputational risks for companies.

In contrast the CSR regulations in Pakistan are less stringent, and there is no specific enforcement mechanism in place. CSR practices are largely driven by companies' willingness to contribute to social causes voluntarily.

### **Public Awareness and Perception:**

The Australian public, as well as investors and stakeholders, place a strong emphasis on CSR and sustainability performance. Companies are expected to be transparent and accountable for their CSR initiatives.

While there is growing awareness of CSR in Pakistan, it may not have reached the same level of prominence as in developed countries like Australia. Public and stakeholder expectations for CSR reporting may vary.

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<sup>445</sup> AS PASSED BY THE MAJLIS-E-SHOORA (PARLIAMENT), *Companies Act, 2017* (2017) 137 <<https://cdcpakistan.com/wp-content/uploads/2015/03/The-Companies-Act-2017.pdf>>.

<sup>446</sup> Samreen Hamid, Zahid Riaz and Syed Muhammad Waqar Azeem, 'Carroll's Dimensions and CSR Disclosure: Empirical Evidence from Pakistan' (2020) 20(3) *Corporate Governance* 365.

<sup>447</sup> Securities and Exchange Commission of Pakistan, *CSR Guidelines, 2013 Securities and Exchange Commission of Pakistan* (2013) <[https://www.sbfnetwork.org/wp-content/assets/policy-library/1700\\_Pakistan\\_CSR\\_voluntary\\_guidelines\\_2013\\_SEC.pdf](https://www.sbfnetwork.org/wp-content/assets/policy-library/1700_Pakistan_CSR_voluntary_guidelines_2013_SEC.pdf)>.

## 7.5 Incidents of the Pakistani RMG Industry

There were 114 incidents around the world since January 2021 till December 2023, resulting in 231 worker fatalities and over 800 injuries in garment, textile, and related factories in countries like Pakistan, China, India, Egypt, Morocco, Turkey, Jordan, Bosnia and Herzegovina, and Cambodia. The incidents involve major brands such as Nike, Levi's, Helly Hansen, Walmart, and Target. Several large fires happened during work hours. Due to underreporting, some factories that supply international brands and retailers remain undisclosed. The cases in Pakistan mentioned below were not covered by the Accord.

### **Incident 1: Fatal Fire Claims Lives of Two Workers in a Garment Factory on Ravi Road"**

On 24th March 2021, two workers lost their lives due to suffocation resulting from a fire that erupted in a garment factory on Ravi Road. The police reported that both workers were asleep in a room when the fire started in the factory. Upon receiving the information, Rescue 1122 teams arrived at the scene to initiate the rescue operation. Due to intense efforts, the firefighters managed to control the fire. The bodies of the deceased workers, identified as Muhammad Awais, 21, and Mehran, 18, were recovered from the site. The incident resulted in the destruction of valuable items, including garments worth thousands of rupees. The cause of the fire remains unknown<sup>448</sup>.

### **Incident 2: Fire Breaks Out in Hyderabad Cotton Factory, Causing Injuries and Substantial Damage**

A fire erupted in a cotton factory located in Hyderabad SITE area on Monday 3<sup>rd</sup> April 2021, resulting in at least one worker getting injured and substantial damage to cotton bales and other materials. The incident occurred around 2:30 pm and was brought under control after over three hours with the assistance of five fire tenders. The challenging operation was complicated by strong winds. The injured worker, identified as Ali Ahmed, was promptly transported to Liaquat University Hospital via ambulance. The factory owner is currently evaluating the extent of financial losses incurred<sup>449</sup>.

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<sup>448</sup> 'Two Factory Workers Killed as Factory's Roof Collapsed in Faisalabad - UrduPoint,' *UrduPoint* (September 4, 2019) <<https://www.urdupoint.com/en/pakistan/two-factory-workers-killed-as-factorys-roof-704984.html>>.

<sup>449</sup> 'Fire Erupts Cotton Factory in Hyderabad - UrduPoint,' *UrduPoint* (April 5, 2021) <<https://www.urdupoint.com/en/pakistan/fire-erupts-cotton-factory-in-hyderabad-1214544.html>>.

### **Incident 3: Emergency Declared at Sakhi Hasan Hydrants and Crush Plant After Garment Factory Fire in Karachi**

The Karachi Water and Sewerage Board has declared an emergency at Sakhi Hasan Hydrants and Crush Plant following a garment factory fire in Orangi Town. In April 2021 the incident prompted the dispatch of multiple rescue and firefighting teams, along with an increased deployment of water tankers to the affected area. The Water and Sewerage Board is working in coordination with the fire brigade to control the blaze, ensuring a continuous and free water supply for firefighting efforts<sup>450</sup>.

### **Incident 4: Massive Fire at Multan Cotton Factory Requires 40-Hour Effort by Pakistan Army and Authorities for Containment**

A significant fire broke out at a cotton factory in Multan, requiring an extensive 40-hour operation by the Pakistan Army and Punjab government's fire tenders to extinguish. The incident, which started in the godown of Roomi Fabrics on 31<sup>st</sup> May 2021 Monday, led to substantial damage to lint stocks worth millions of rupees. Local authorities, including Rescue 1122 and fire services, were involved in the firefighting efforts. Multan Commissioner Javed Akhtar Mehmood commended the tireless work of Rescue 1122 and the Pakistan Army, emphasizing their continuous efforts to control and contain the inferno<sup>451</sup>.

### **Incident 5: Negligence in Mehran Town: Consequences and Ramifications**

On August 27, 2021, a tragic fire broke out in a multi-storey chemicals factory in Mehran Town, Karachi, killing 16 workers. The blaze started on the ground floor of BM Luggage Industries; an illegally operated factory located on a residential plot. The fire, caused by a short circuit, quickly spread throughout the building, fuelled by highly flammable chemicals. Over 20 workers were present when the fire started, but 16 were trapped inside as all exits and windows were blocked with iron bars, and the gates to the roof were locked. This lack of accessible escape routes severely hampered rescue efforts.

The incident highlights the significant gap between the existence of labour laws in Sindh and their enforcement. Although Sindh has passed several progressive labour

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<sup>450</sup> Superadmin, 'Fire Breaks out at Karachi Garment Factory,' *24 News HD* <<https://www.24newshtd.tv/25-Apr-2021/fire-breaks-out-at-karachi-garment-factory>>.

<sup>451</sup> Web Desk Staff, 'Roomi Fabrics Fire Extinguished in Multan,' *The Namal* (online, June 1, 2021) <<https://thenamal.com/national/roomi-fabrics-fire-extinguished-in-multan/>>.

laws in recent years, the fire serves as a stark reminder that these laws are ineffective without proper implementation. Afzal, a survivor who lost three brothers in the fire, recounted how he narrowly escaped because he was on the ground floor when the fire broke out. He described how the flames engulfed the building in seconds, preventing him from returning to help his trapped colleagues.

Despite government policies on health and safety, many factories in Pakistan continue to neglect maintaining safe working environments. Workers often lack personal protective equipment and are not provided with the necessary occupational safety and health training, leaving them vulnerable to accidents. This failure to adhere to occupational safety laws reflects the broader ineffectiveness of the provincial government and its Labour Department.

Pakistan has ratified 36 International Labour Organisation (ILO) conventions, including those on decent work and occupational safety and health. However, the implementation of these conventions has been inconsistent, hindered by widespread corruption within the Labour Department. The inability to enforce national and international labour standards means that workers' rights, including their right to a safe working environment, are frequently violated.

The 2021 Mehran Town fire draws painful parallels to the 2012 Ali Enterprise garments factory fire in Baldia, Karachi, which remains the worst industrial fire in the world's history. Both incidents underscore the critical need for robust enforcement of safety regulations. Despite new safety precautions and policies on the books, factory owners and corporations often prioritize profit over worker safety, exploiting loopholes in enforcement.

Nasir Mansoor, secretary of the National Trade Union Federation, criticized the government for failing to learn from the Baldia factory tragedy. He argued that if the lessons from 2012 had been heeded, the Mehran Town fire might have been prevented. Mansoor highlighted how the Baldia case was mishandled politically, with authorities ignoring corruption and incompetence within government departments.

Farhat Parveen, a labour leader and director of NOW communities, echoed these concerns. She pointed out that while Pakistan has ratified many ILO conventions, critical conventions related to chemicals, fire, and safety have yet to be ratified. Even for those conventions that have been ratified, enforcement remains a significant



challenge. The Mehran Town fire, she said, should serve as a wake-up call for the government and all citizens, particularly given that the factory was illegally operating on a residential plot. The Sindh Building Control Authority, widely regarded as one of the most corrupt departments, has come under scrutiny for failing to prevent such illegal operations.

The erosion of the labour inspection process, which has left Labour Department officers serving industrialists rather than the public, has further exacerbated the problem. The unofficial ban on factory inspections, imposed during Zia-ul-Haq's martial law over 45 years ago, remains in effect, despite the passage of time and the legal requirement under the Factory Act of 1934 for inspectors to submit reports on every factory. Although the Sindh Health and Safety Act was passed in 2016 to address these issues, its enforcement has been lacklustre. The council established under this law has yet to be convened, and the Labour Department secretary, who serves as the council's chairman, has failed to take necessary action<sup>452</sup>.

#### **Incident 6: Four Workers Fatally Exposed to Poisonous Gas**

Tragedy struck a textile factory in Karachi on Monday 3<sup>rd</sup> January 2022 as four workers lost their lives due to the inhalation of poisonous gas. The incident occurred at a textile factory near the Chowkandi Graveyard, within the jurisdiction of the Shah Latif police station. Upon receiving the information, police and rescue teams rushed to the factory, transporting the victims to Jinnah Postgraduate Medical Centre. Medical professionals at the hospital reported that two of the workers were already deceased upon arrival, while the other two succumbed to the effects of the gas during treatment. The victims were identified as Shahzad (20), Ghulam Hussain (21), Imran (30), and Sheharyar (28). Initially thought to be a boiler explosion, subsequent investigation revealed that the fatalities resulted from a gas leak during the workers' shift. Technicians and experts from the company are working to determine the precise cause, considering the various chemicals used in the factory. Family members and relatives gathered outside the factory, demanding accountability, and the police stated that a case would be registered in the event of criminal negligence. Sindh Labour and Information Minister Saeed Ghani took notice of the incident and ordered investigations. In a separate

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<sup>452</sup> Sammar Abbas, 'Mehran Town: The Cost of Negligence | Special Report | Thenews.Com. Pk,' *The News International* (online, September 5, 2021) <<https://www.thenews.com.pk/tns/detail/887339-mehran-town-the-cost-of-negligence>>.

incident in the Keamari area, two individuals lost their lives after falling into a manhole during a cleaning operation. The victims were identified as Ashraf and Arjun Lal, and further investigations are ongoing<sup>453</sup>.

**Incident 7: A gas leakage blast at a cotton factory in Hub has left 12 individuals injured.**

In a distressing incident, a gas leakage blast rocked a cotton factory in Hub, Balochistan, causing severe burns to at least 12 individuals on Monday 24 January 2022. The emergency response was swift, with rescue teams and security personnel quickly mobilizing to the scene. The injured victims were expediently transported to a nearby hospital for immediate medical attention, highlighting the urgency of the situation. Preliminary reports suggest that the blast resulted from a gas pipeline leakage within the factory premises, although investigations are ongoing to ascertain the exact cause. The incident underscores the critical need for stringent safety measures and regular maintenance protocols to prevent such tragedies in industrial settings<sup>454</sup>.

**Incident 8: Ten workers at a factory sustained burns.**

A fire erupted on 1 April 2022 at a shoe factory in Kot Murad Khan, resulting in ten workers sustaining burns. The incident reportedly occurred due to the overheating of a chemical drum used for adhesive material in shoes. The drum exploded, leading to a fire that quickly engulfed the entire building. The injured workers, including Abdul Haq, Kashif, Shan, Akram, Abdullah, Zohaib, Aslam, Zubair, Munir, and Abdul Rahim, were promptly taken to the district headquarters hospital. They were all between 20 to 55 years old. The local community and firefighters collaborated to extinguish the fire, a process that took approximately an hour. Authorities from the B- Division police are investigating the incident<sup>455</sup>.

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<sup>453</sup> 'Four Factory Workers Die after Inhaling Poisonous Gas,' *The News International* <<https://e.thenews.com.pk/detail?id=41917>>.

<sup>454</sup> 'Deaths and Injuries in the Global Garment Industry,' *Clean Clothes Campaign* (April 6, 2023) <<https://cleanclothes.org/campaigns/the-accord/deaths-and-injuries-in-the-global-garment-industry>>.

<sup>455</sup> DAWN.COM, 'Ten Factory Workers Suffer Burns,' *DAWN.COM* (Online, April 2, 2022) <<https://www.dawn.com/news/1682950>>.

**Incident 9: A garment factory in Karachi experienced a fire, resulting in injuries to two individuals.**

A tragic incident unfolded on 31 March 2023 Friday at a garment factory near the Naurus intersection in Karachi's SITE area, resulting in the death of at least 11 individuals and injuries to several others. The stampede occurred when a ration distribution camp, organized by the factory owner Abdul Khalique for his workers as part of the annual Ramadan practice, led to chaos among a large gathering outside the factory premises. Station House Officer (SHO) Zulfiqar Ali Bajwa of SITE-A police station reported that the stampede occurred after the crowd, particularly women and children, gathered for ration distribution following Friday prayers.

Abdul Khalique, the factory owner, failed to inform the local police station about the event, violating government orders that require organizers to inform authorities to ensure precautionary measures are taken to prevent stampedes. The lack of safety protocols and the absence of information to local authorities led to a disorderly rush for ration bags. Tragically, the situation escalated when some women accidentally jumped over a main water pipeline, causing it to break and water to gush out. Faced with this unexpected challenge, panic ensued, resulting in a stampede that claimed the lives of 11 individuals.

The initial reports identified the deceased, including young children and women: Waseem (10-12 years old), Saad Umar (7), Ume-e-Hani (7-8), Khursheeda (40-45), Abida (40), Sonia (40-45), Saeeda Zadi (40-45), Naseema (40-50), and Wahida (40). Two individuals remained unidentified. Additionally, at least five people suffered injuries during the stampede.

Authorities swiftly responded to the incident, with police mobiles and rescue teams reaching the spot. The injured and unconscious individuals were transported to Abbasi Shaheed Hospital and Civil Hospital Karachi for treatment. The police detained seven individuals for negligence and registered an FIR against them. Superintendent of Police (SP) Muhammad Mughees Hashmi confirmed that the stampede occurred due to the lack of prior information to the local police station.

Edhi sources reported that nine bodies were taken to Abbasi Shaheed Hospital, while two were taken to Civil Hospital. Among the deceased brought to Abbasi Shaheed

Hospital, three were young girls. Fifteen injured individuals were shifted to both hospitals.

Governor Sindh Kamran Tessori sought a report from Karachi Commissioner Muhammad Iqbal Memon and expressed grief over the loss of lives. Chief Minister Murad Ali Shah also took notice and called for a report from the commissioner, emphasizing the need for proper reporting on ration distribution and welfare efforts. Information Minister Sharjeel Inam Memon announced financial compensation for the victims: Rs500,000 for each bereaved family and Rs100,000 for those injured.

Responding to the incident, Sindh Chief Secretary Dr Muhammad Sohail Rajput ordered an inquiry and sought reports from Commissioner Karachi and Secretary Industries. He directed action against those responsible and instructed the health secretary to declare an emergency in hospitals, providing the best medical facilities to the injured.

This tragic event underscores the importance of adherence to safety protocols during public gatherings and the need for responsible event organisation to prevent such incidents in the future. The investigation into the stampede will shed light on the factors that led to this unfortunate loss of lives and injuries<sup>456</sup>.

#### **Incident 10: Blaze in Karachi Factory Results in 4 Firefighter Deaths, 13 Injured, Building Collapse**

A tragic incident unfolded in Karachi as a devastating fire engulfed a factory in the New Karachi area, leading to the loss of four firefighters' lives and injuries to 13 others. The incident occurred in the Usman & Sons Bedsheet Company, located in Sector-16-B, on Shehla Raza Road. According to reports, the fire erupted around 7:45 am on Wednesday 12 April 2023 due to a short circuit and quickly spread, causing extensive damage to the building and its subsequent collapse.

The Central District Deputy Commissioner, Taha Saleem, revealed that the factory's highly congested locality posed challenges for the firefighters, hindering their efforts to control the blaze. Despite deploying 10 fire tenders and water tankers, the operation

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<sup>456</sup> Salis Bin Perwaiz, '11 Killed in Stampede for Food Handouts in Karachi,' *The News International* (Online, April 1, 2023) <<https://www.thenews.com.pk/print/1056188-11-killed-in-stampede-for-food-handouts-in-karachi>>.

continued until 2 am on Thursday, when the fire was finally brought under control. However, the four-story building collapsed for reasons yet to be determined.

DC Saleem suggested that the structure might have weakened due to the intense heat, combined with the weight of accumulated water and stored clothes. The cooling work, conducted with caution, led to the tragic incident as the building collapsed. The DC supervised the operation and highlighted the difficulties posed by the narrow streets, limiting the movement of firefighting equipment.

Unfortunately, four firefighters lost their lives during the incident, with 13 others sustaining injuries. The injured were promptly transported to Jinnah Postgraduate Medical Centre and Abbasi Shaheed Hospital. The identities of the deceased firefighters were revealed as Mohsin Sharif, Khalid Shehzad, Sohail, and Afzal.

An investigation is underway, with authorities suspecting a short circuit as the initial cause of the fire. The district central police spokesperson confirmed the incident and mentioned ongoing investigations. Additionally, a team from the Sindh Building Control Authority was called to assess the area and initiate the demolition of the remaining part of the factory using heavy machinery.

Sindh Governor Kamran Tessori expressed grief at the loss of lives and visited the site to assess the situation. The tragic event sheds light on the challenges faced by emergency responders in densely populated industrial areas and underscores the importance of stringent safety measures and infrastructure planning to prevent such incidents in the future<sup>457</sup>.

#### **Incident 11: An extensive fire at a garment factory in Landhi.**

A substantial fire engulfed a garment factory located in the Landhi area on 28 July 2023 Friday afternoon, and despite extensive firefighting efforts involving approximately 15 fire engines, the blaze persisted until late at night, as detailed by police and rescue services officials. The fire originated in the SAH fabric factory situated within the Karachi Export Processing Zone around 4:30 pm, as reported by Sukhan SHO Adeel Shah. Despite the intervention of emergency services and water utility measures, the fire proved challenging to control. An Edhi Foundation

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<sup>457</sup> Imtiaz Ali, 'Karachi Factory Blaze Leaves 4 Firefighters Dead, 13 Injured as Building Collapses,' *DAWN.COM* (Online, April 13, 2023) <<https://www.dawn.com/news/1747408/karachi-factory-blaze-leaves-four-dead-13-injured-as-building-collapses>>.

spokesperson confirmed their presence at the site, assuring that, as of their latest update, no injuries had been reported.

The situation prompted a declaration of a state of emergency at the Landhi, Sherpao, and Safoora hydrants, ensuring prompt provision of water tankers to support firefighting efforts. Sindh Governor Kamran Tessori took immediate notice of the industrial fire, emphasizing the gravity of the situation within the vicinity of Karachi, and requested a comprehensive report from the commissioner.

The incident sheds light on the inherent risks associated with industrial activities, particularly in densely populated areas such as Landhi. The challenges encountered by firefighting personnel underscore the need for robust emergency response mechanisms, especially in industrial zones where the potential for catastrophic incidents is heightened.

The SAH fabric factory's location within the Karachi Export Processing Zone adds a layer of complexity to the situation. Such zones are designated areas meant to facilitate industrial activities, often hosting multiple factories in close proximity. The nature of the industrial processes within these zones, combined with the interconnectedness of facilities, can exacerbate the challenges faced by emergency responders.

In the face of such incidents, collaboration between various agencies becomes crucial. The deployment of 15 fire engines indicates the scale of the response required to tackle the blaze effectively. Coordinated efforts from firefighting teams, coupled with support from water utility services, showcase the multifaceted approach needed to address large-scale industrial fires.

The resilience of emergency response systems is also evident in the rapid declaration of a state of emergency at multiple hydrants. This proactive measure ensures a seamless supply of water to the firefighting teams, preventing potential delays that could exacerbate the situation. The ability to implement such emergency measures promptly reflects the preparedness of authorities to handle unforeseen challenges.

The Edhi Foundation's presence at the scene highlights the importance of humanitarian efforts during crises. While the immediate focus is on extinguishing the fire and preventing further damage, having organisations like the Edhi Foundation on

standby ensures that potential casualties or injuries are promptly addressed. Their involvement adds a layer of support to the overall emergency response infrastructure.

Sindh Governor Kamran Tessori's swift response underscores the gravity of the situation and the need for a comprehensive assessment of the incident. Industrial fires not only pose immediate risks to life and property but also raise questions about the safety protocols and regulatory compliance within such facilities. The governor's request for a detailed report reflects a commitment to understanding the root causes of the fire and implementing measures to prevent similar incidents in the future<sup>458</sup>.

### **Incident 12: Boycott Khaadi and Child Labour in Iqbal Masih**

Khaadi, a well-known multinational apparel brand in Pakistan established in 1998, expanded from Karachi to other cities and international markets, with over 45 stores in the country. However, it recently faced criticism for inhumane workplace conditions and violations of worker's rights, despite claims by the company's management.

The issue began when 32 workers sought help from the National Industrial Relations Commission (NIRC) due to concerns about potential job loss after raising grievances against the company. Initially, the company assured improvement in working conditions without repercussions. In May 2017, these workers were abruptly denied entry to the factory, and it was revealed they were paid less than the government-mandated minimum wage<sup>459</sup>.

Further investigations unveiled several injustices: the company did not provide official appointment letters, withholding workers' rights, including legal protections and social security benefits. Workers were also denied contributions under the Employees Old-Age Benefits Institution (EOBI) act and were subjected to long working hours, including public holidays and Sundays, without adequate facilities such as clean drinking water and restroom breaks<sup>460</sup>.

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<sup>458</sup> Imtiaz Ali, 'Firefighters Work to Put out Massive Blaze at Landhi Garment Factory,' *DAWN.COM* (Online, July 29, 2023) <<https://www.dawn.com/news/1767350/firefighters-work-to-put-out-massive-blaze-at-landhi-garment-factory>>.

<sup>459</sup> Exclusive: Khaadi Ripping off Workers of over Rs100 Million Every Year, *The Express Tribune* (August 12, 2017) <<https://tribune.com.pk/story/1479056/exclusive-khaadi-ripping-off-workers-off-rs100-million-every-year>>.

<sup>460</sup> Hassan Javid, 'Boycotting Khaadi,' *The Nation* (online, June 7, 2017) <<https://www.nation.com.pk/04-Jun-2017/boycotting-khaadi>>.

In response, workers, supported by the National Trade Union Federation (NTUF), initiated street protests, gaining attention on social media with hashtags like 'boycottKhaadi.' This widespread coverage led to damage to Khaadi's brand reputation.

As a result, on June 5, 2017, Khaadi signed an agreement with the National Trade Union Federation. The agreement included provisions for a minimum wage increase, a safe working environment, rehiring the 125 workers initially locked out, Eid bonuses, and adherence to overtime and working hour regulations<sup>461</sup>.

This case is significant in Pakistan as it highlights the role of online movements in safeguarding workers' rights.

### **Incident 13: Iqbal Masih: The Tragic Catalyst for Change in Pakistan's Textile Industry.**

The dark side of the Pakistani textile industry was exposed in 1993 when a 12-year-old boy named Iqbal Masih was tragically killed in Lahore. It is believed that he was shot dead for his activism against child labour, although local police initially declared it an accidental murder by a drug addict<sup>462</sup>.

Iqbal had been sold into bonded labour at the age of four to pay off a family debt of PKR 600 (less than £5). He was forced to work long hours, seven days a week, with minimal breaks. Despite these harsh conditions, Iqbal managed to escape and connected with the Bonded Labour Liberation Front (BLLF), a school for former child slaves. He completed a four-year education in just two years and helped approximately 3,000 other children break free from slavery.

Iqbal's story gained national and international attention, resulting in invitations to share his experiences. This scandal brought global focus to Pakistan's carpet industry and led to approximately \$240 million in losses due to international restrictions on carpet exports.

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<sup>461</sup> Asad Farooq, 'Khaadi Faces Social Media Rage amidst Allegations of Inhumane Work Conditions,' *DAWN.COM* (online, May 30, 2017) <<https://www.dawn.com/news/1336144>>.

<sup>462</sup> Clc Member, 'We Remember Iqbal Masih's Life' (November 7, 2022) <<https://stopchildlabor.org/we-remember-iqbal-masih-s-life-a-call-to-human-rights-vigilance/>>.



## Discussion

The tragic industrial incidents in Pakistan's factories highlight systemic issues related to Corporate Social Responsibility (CSR) and the legal framework surrounding occupational safety and health. This analysis synthesises the cases from a CSR and legal standpoint, emphasising the critical need for stringent enforcement of safety regulations, ethical corporate practices, and the protection of workers' rights.

### Corporate Social Responsibility (CSR)

#### Ethical Conduct and Transparency

Corporate Social Responsibility (CSR) necessitates that companies operate ethically, transparently, and responsibly. The cases reveal significant failures in this regard. For instance, the fire at BM Luggage Industries in Mehran Town, Karachi, where 16 workers perished due to blocked exits and illegal operations, underscores gross negligence and lack of accountability. Despite the factory's illegal status, it was operational, which points to serious ethical lapses and regulatory oversight. The blocking of exits and the lack of safety measures clearly illustrate a blatant disregard for human life in pursuit of profit. Carroll's pyramid model suggests businesses must be profitable to sustain operations<sup>463</sup>. In these cases, however, profitability seems to have been prioritized over safety and welfare.

Similarly, Khaadi's initial disregard for workers' grievances and poor working conditions reflects a severe breach of ethical standards. The case of Khaadi, a prominent multinational apparel brand, highlights the company's failure to maintain fair labour practices and to address workers' concerns adequately. Initially, the company did not provide official appointment letters, which withheld workers' legal protections and social security benefits. Additionally, workers were denied contributions under the Employees Old-Age Benefits Institution (EOBI) Act 1976<sup>464</sup> and subjected to long working hours without adequate facilities.

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<sup>463</sup> Barry M. Mitnick, Duane Windsor and Donna J. Wood, 'Moral CSR' (2023) 62(1) *Business & Society* 192, 205.

<sup>464</sup> Employees Old-Age Benefits Act, 1976 <<http://www.eobi.gov.pk/act/AMENDED76-2005.htm>>.

Carroll's pyramid model indicates companies must comply with laws and regulations<sup>465</sup>. The Mehran Town fire highlights significant legal violations, as the factory was operated illegally on a residential plot. Similarly, the Khaadi case involved violations of labour laws.

This lack of transparency and ethical conduct directly contravenes the principles of CSR, which advocate for the protection and fair treatment of employees. Companies must ensure transparency in their operations, especially regarding employee rights and workplace conditions. Ethical conduct involves more than compliance with the law; it requires companies to act in the best interests of their employees and stakeholders<sup>466</sup>.

### **Employee Welfare and Safety**

A fundamental aspect of CSR is ensuring employee welfare and safety. The incidents demonstrate a recurrent neglect of this principle. Fires in factories on Ravi Road, Hyderabad, and Multan resulted in fatalities and severe injuries, primarily due to inadequate safety measures and emergency preparedness. These cases highlight systemic issues in the management of industrial safety protocols. For example, the fire on Ravi Road that led to the deaths of two workers and the fire in Hyderabad that injured one worker and caused significant property damage, both point to insufficient safety measures and emergency response plans.

The repeated occurrence of such incidents indicates a systematic disregard for worker safety, which companies must prioritise through rigorous safety protocols and regular drills. Effective CSR strategies include the implementation of comprehensive safety training programs, regular safety audits, and the provision of adequate protective equipment to all workers. Ensuring safe working conditions is not only a legal obligation but also a moral imperative for businesses.

The tragedy at the Mehran Town factory also underscores the need for robust safety protocols. Despite existing laws mandating safe working conditions, the factory operated with severe safety violations, including blocked exits and the use of

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<sup>465</sup> Barry M. Mitnick, Duane Windsor and Donna J. Wood, 'Moral CSR' (2023) 62(1) *Business & Society* 192, 205.

<sup>466</sup> Karijanto Prijo Rahardjo and Kurniawati Kurniawati, 'Caroll Pyramid Implementation of Environmental Responsibility Programs of PT Pertamina EP Subang Field, Tambun Field, and Jatibarang Field in Organic Agriculture' (2023) 2(9) *Journal of Social Research* 3331, 3333.

flammable chemicals without proper safeguards. This case exemplifies the dire consequences of neglecting employee safety and welfare, resulting in preventable deaths and injuries.

### **Community Engagement and Stakeholder Responsibility**

Engaging with the community and addressing stakeholders' concerns is another critical CSR component<sup>467</sup>. The case of Iqbal Masih's activism against child labour and the subsequent international outcry significantly affected Pakistan's carpet industry. This case underscores the importance of companies not only addressing internal issues but also considering the broader social implications of their practices. Iqbal's story brought international attention to the issue of bonded child labour in Pakistan, leading to significant financial repercussions for the country's carpet industry.

Companies must engage with local communities, listen to grievances, and work collaboratively to enhance working conditions. This involves creating open channels for communication between workers, management, and the community. For example, Khaadi's eventual agreement with the National Trade Union Federation (NTUF) to improve working conditions and reinstate dismissed workers highlights the importance of engaging with stakeholders to address issues effectively. This agreement included provisions for a minimum wage increase, a safe working environment, rehiring of 125 workers, Eid bonuses, and adherence to overtime and working hour regulations.

By actively engaging with stakeholders, companies can build trust, improve their social license to operate, and ensure that their business practices are aligned with the expectations and needs of the community. This approach not only enhances corporate reputation but also contributes to long-term business sustainability.

### **Legal Perspective**

#### **Occupational Safety and Health Laws**

The legal framework in Pakistan includes several progressive labour laws such as The Industrial And Commercial Employment Ordinance (Standing Orders), 1968; Provincial Employees Social Security Ordinance (PESS), 1965; Employee's Old Age

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<sup>467</sup> Sumeyye Kusakci and Ibrahim Bushera, 'Corporate Social Responsibility Pyramid in Ethiopia: A mixed Study on Approaches and Practices' (2023) 5(1) *International Journal of Business Ecosystem & Strategy* (2687-2293) 37, 39.

Benefits Act, 1976; Workers Children (Education) Ordinance, 1972; Punjab Shops And Establishments Ordinance (The Ordinance), 1969; Minimum Wages Ordinance, 1961; Payment Of Wages Act, 1936; Companies Profits (Workers Participation) Act, 1968; The Factories Act of 1934; Workmen's Compensation Act, 1923; West Pakistan Maternity Benefit Ordinance, 1962; Industrial Relations Act, 2012; Apprenticeship Ordinance, 1962; Workers' Welfare Fund Ordinance (WWF Ordinance), 1971; Disabled Persons (Employment And Rehabilitation) Ordinance, 1981; Punjab Industrial Relations Act, 2010<sup>468</sup>, intended to safeguard workers' rights and ensure safe working conditions. However, the recurring industrial disasters highlight a substantial gap between legislation and implementation. The Sindh Health and Safety Act of 2016<sup>469</sup> and the Factory Act of 1934<sup>470</sup> require stringent enforcement, which is often lacking due to corruption and bureaucratic inefficiencies.

The Mehran Town incident vividly illustrates this gap. The illegal operation of the factory, combined with severe safety violations, resulted in the deaths of 16 workers. Despite existing regulations, the factory continued to operate without adherence to safety standards, reflecting a failure in enforcement mechanisms. This tragic event underscores the need for robust regulatory frameworks and strict enforcement to ensure compliance with safety laws.

Effective implementation of occupational safety and health laws requires regular inspections, transparent reporting, and accountability for violations. The Sindh Labour and Information Minister's order for investigations following the Mehran Town fire is a step in the right direction, but sustained efforts are needed to ensure long-term compliance.

## **Regulatory Compliance and Inspections**

Effective regulation and frequent inspections are crucial for compliance with safety standards. However, many factories operate without adhering to these regulations. The unofficial ban on factory inspections since the Zia martial law era has exacerbated

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<sup>468</sup> Multiplier, 'Understanding Employment Laws in Pakistan: Employer's Guide | Multiplier' *Multiplier* (June 17, 2024) <<https://www.usemultiplier.com/pakistan/employment-laws#applicability-of-the-act>>.

<sup>469</sup> Mahnoor, *THE SINDH FACTORIES ACT, 2015 SINDH ACT NO. XIII OF 2016* <[http://sindhlaws.gov.pk/setup/publications\\_SindhCode/PUB-NEW-18-000110.pdf](http://sindhlaws.gov.pk/setup/publications_SindhCode/PUB-NEW-18-000110.pdf)>.

<sup>470</sup> PAKISTAN, *THE FACTORIES ACT, 1934* (XXV of 1934) <<https://www.malaw.org.pk/pdflaw/FACTORIES%20ACT%201934.pdf>>.

this issue. The Mehran Town fire and other incidents demonstrate the urgent need for a robust inspection regime to enforce compliance and prevent such tragedies.

The implementation of the Sindh Health and Safety Act 2017<sup>471</sup> must be strengthened, with regular inspections and strict penalties for violations. The cases of fires in the textile factory in Karachi, the cotton factory in Hyderabad, and the garment factory in Multan highlight the critical need for proactive regulatory oversight. In each instance, inadequate safety measures and emergency response protocols resulted in severe consequences, underscoring the necessity of rigorous inspections and enforcement.

Moreover, the tragic death of four workers due to poisonous gas inhalation in Karachi illustrates the dire consequences of neglecting safety inspections. Despite initial assumptions of a boiler explosion, it was later revealed that the fatalities resulted from a gas leak, highlighting the importance of thorough and regular inspections to identify and mitigate risks.

### **International Labour Standards**

Pakistan has ratified numerous International Labour Organization (ILO) conventions, including those on occupational safety and health. Despite this, the enforcement of these standards remains inconsistent. The Khaadi incident, where workers were paid below minimum wage and denied legal protections, and the tragic story of Iqbal Masih highlight the failures in adhering to international labour standards.

It is imperative for Pakistan to not only ratify but also rigorously enforce these conventions to protect workers and improve the country's labour reputation globally. The adherence to ILO conventions ensures that workers' rights are protected, and safe working conditions are maintained<sup>472</sup>. This requires a coordinated effort between government agencies, employers, and international bodies to monitor compliance and address violations effectively.

The tragic fire at the Ali Enterprise garments factory in Baldia in 2012, which was the worst ever incident of a factory fire in the world, served as a national wake-up call on workplace safety standards. However, nine years later, the BM Luggage fire and other

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<sup>471</sup> Government of Sindh, *The Sindh Occupational Safety and Health Act, 2017 (Sindh Act No. L-II-2-2-2019)* <<https://www.pec.org.pk/wp-content/uploads/2021/05/Sindh-Occupational-Safety-and-Health-Act-2017.pdf>>.

<sup>472</sup> Conventions, Protocols and Recommendations, *International Labour Organization* (March 28, 2024) <<https://www.ilo.org/international-labour-standards/conventions-protocols-and-recommendations>>.

similar incidents indicate that the lessons from Baldia have not been fully implemented. The ongoing challenges in enforcing international labour standards highlight the need for continuous efforts to improve regulatory frameworks and ensure compliance.

### **Legal Repercussions and Accountability**

The legal repercussions for industrial accidents often fall short of ensuring justice for the victims and accountability for the perpetrators. The failure to hold factory owners and managers accountable for safety violations perpetuates a culture of negligence and impunity. For example, in the aftermath of the Mehran Town fire, despite the severe loss of life, there were no significant legal consequences for those responsible for the safety lapses.

The legal system must impose stringent penalties for violations of occupational safety and health regulations to deter negligence and promote a culture of safety. The lack of accountability not only undermines the rule of law but also fails to provide justice for the victims and their families. Legal reforms should focus on enhancing the enforcement mechanisms, ensuring that violations are met with appropriate sanctions, and providing victims with avenues for redress.

Additionally, the role of labour unions and advocacy groups is crucial in holding companies accountable and advocating for workers' rights. The successful advocacy by the National Trade Union Federation (NTUF) in the Khaadi case demonstrates the power of collective action in achieving justice and improving working conditions.

After the discussion above considering different incidents between 2021 – 2023 and two additional cases - the Khaadi labour dispute and the Iqbal Masih tragedy in Pakistan, it is clear that there are gaps and shortcomings in CSR practices in the country. These case studies underscore the need for a more robust and ethical approach to business conduct, stronger government oversight, and increased public engagement to promote responsible corporate behaviour in the country. While the government of Pakistan has to play the main role in developing this situation buyer companies from developed countries including Australia can also play an important role in developing the overall CSR activities of the RMG organisation within the country. For example, the Pakistan Accord, a mandatory safety initiative modelled after the International Accord for Health and Safety in the Textile and Garment

Industry, was officially introduced on December 14, 2022<sup>473</sup>. This significant development followed years of advocacy efforts by labour unions and worker advocacy organisations. While the International Accord had previously succeeded in improving safety conditions for approximately 2.5 million textile and garment industry workers in Bangladesh, the progress in Pakistan has been slower, as many brands have been hesitant to commit to the agreement<sup>474</sup>.

The process of signing onto the Pakistan Accord commenced on January 16, 2023. In the first month, more than 30 brands, including major purchasers like H&M, PVH, and ASOS, became signatories<sup>475</sup>. However, the initial momentum of sign-ups slowed down, and as of six months later, a total of 63 brands have endorsed the agreement, encompassing numerous factories. Nonetheless, some prominent buyers such as JC Penney, Tom Tailor, Levi's, and Wrangler, have yet to join the initiative<sup>476</sup>.

## 7.6 Summary

In summary, Australian and Pakistani garment organisations practice CSR activities but in different ways. Both countries also have some similar laws, but Australia has a more robust regulatory environment for CSR, with specific legislation and reporting requirements in place. In contrast, Pakistan's CSR regulations are relatively less prescriptive, and CSR practices are primarily driven by voluntary initiatives. In addition, the enforcement system in Pakistan is much weaker than in Australia which needs to be developed. To do so, the government of the country as well as buyer organisations of developed countries should take important initiatives. In the next chapter, this study will make some recommendations to improve the CSR activities of RMG organisations in Pakistan that the government and big fashion brands should implement.

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<sup>473</sup> The Pakistan Accord: Enhancing Factory Health and Safety in Pakistan, *International Accord* (May 28, 2024) <<https://internationalaccord.org/countries/pakistan/>>.

<sup>474</sup> Tom Bithell, 'Pakistan Accord Tops 50 Signatories' *Ecotextile News* (May 5, 2023) <<https://www.ecotextile.com/2023050530668/labels-legislation-news/pakistan-accord-tops-50-signatories.html>>.

<sup>475</sup> Rachel Deeley, 'Major Brands Sign Pakistan Accord for Garment Worker Safety' *The Business of Fashion* (online, January 27, 2023) <<https://www.businessoffashion.com/news/sustainability/major-brands-sign-pakistan-accord-for-garment-worker-safety/>>; Remake, 'Pakistan Brand Tracker — Remake' Remake (May 13, 2024) <<https://remake.world/pakistan-brand-tracker/>>.

<sup>476</sup> Isatou Ndure, 'Major Fashion Brands Called out for Not Signing Pakistan Safety Accord' *Just Style* (online, July 19, 2023) <<https://www.just-style.com/news/major-fashion-brands-called-out-for-not-signing-pakistan-safety-accord/>>.

# **Chapter 8: Conclusion and Recommendations**

## **8.1 Introduction**

The culmination of this research marks an important milestone in the entire research journey to understanding the dynamics of CSR within the context of the Australian and Pakistani RMG industry. This chapter serves as the conclusion, where we draw together the threads of our inquiry to present a comprehensive summary of our findings, insights, and contributions. As we bring this thesis to a close, we reflect upon the research questions and objectives, and synthesize the knowledge generated throughout this study.

This concluding chapter summarises the thesis, briefly discusses the implications of the study, provides a summary of the major findings, answers the research questions, and makes some recommendations. It also explores the limitations of this study and offers suggestions for future research. Ultimately, the researcher aims to offer a holistic perspective on the state of CSR in the Australian and Pakistani RMG industry and highlight its significance not only for academic discourse but also for practitioners, policymakers, and stakeholders.

## **8.2 Summary of the Thesis**

This research seeks to shed light on the multifaceted relationship between CSR and two significant factors: collaboration with Australian garment companies and local regulatory frameworks in Pakistan.

There are eight chapters which are briefly explained below.

Chapter 1 introduces the research. Firstly, it discussed the background of the research and identified research gaps along with aim of this research. Then it informs the following research questions.

1. What are the existing regulations and legal frameworks governing CSR activities in the Pakistani readymade garment (RMG) industry?
2. How do these regulations compare with the CSR regulatory frameworks in Australia?
3. What are the key differences and similarities between the enforcement mechanisms, penalties, and incentives for CSR compliance in Pakistan and Australia?



4. What are the practical challenges and roadblocks faced by Pakistani RMG organisations in adhering to CSR regulations?
5. How do collaboration and partnerships with Australian garment companies influence the CSR practices of Pakistani RMG organisations?
6. What strategies can be recommended to improve the implementation and effectiveness of CSR initiatives in the Pakistani RMG industry, considering the regulatory landscape and international CSR guidelines?

These questions led to the following sub-questions.

1. What constitutes CSR and how has the concept evolved over time?
2. How do RMG organisations in different industries implement CSR practices, and are there sector-specific variations?
3. What theoretical frameworks can be used to analyse and evaluate CSR activities in organisations?
4. What are the implications of non-compliance with CSR regulations, including potential penalties and criminal consequences?
5. How do international CSR guidelines and standards impact the CSR practices of RMG companies in Pakistan and Australia?

In this chapter, the researcher sets some objectives to answer the research questions, which are to:

- Critically evaluate Corporate Social Responsibilities and its theoretical perspectives.
- Compare RMG companies' practices of CSR activities and legal obligations in Australia and Pakistan.
- Recommend the appropriate guidelines or legislation in Australia and Pakistan to encourage RMG organisations for practicing CSR activities more effectively.

Then a brief methodology was described followed by identifying the theoretical and practical contribution and articulating the structure of the thesis.

The next three chapters of this thesis review the literature. Chapter 2 discusses the concept of Corporate Social Responsibilities and its historical background. It also critically evaluated different theories of CSR such as Stakeholder theory, Shareholder theory, legitimacy theory, and Carroll's CSR Pyramid model. This chapter concludes with a discussion of CSR activities by organisations, particularly in the world apparel industries. In the third chapter CSR laws and guidelines were discussed. The discussion focuses on international and national rules and regulations for CSR

considering Australia and Pakistan. Chapter four articulates the conceptual framework of the study and develops the following four propositions.

P1: Australian businesses have no significant effects on Pakistani RMG organisations for being profitable.

P2: Textile company compliance between Australian and Pakistani RMG organisations has positive impacts on the legal responsibilities of Pakistani organisations.

P3: Textile compliance between Australian and Pakistani RMG organisations has a significant effect on Pakistani companies' ethical responsibilities.

P4: Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities.

Chapter five provides information about all the tools and techniques used by the researcher to conduct this research. This chapter starts by explaining the different steps of research methodology such as research philosophy, strategy, methodological choice, data collection and analysis techniques. Finally, this chapter discussed the ethical considerations of this study.

Researcher collected both primary and secondary data and they were analysed numerically and descriptively. Chapter six presents and analyses the primary data that were collected from Pakistani RMG organisations. Quantitative primary data were analysed statistically by using SPSS and qualitative primary data were analysed descriptively.

Chapter Seven analysed qualitative secondary data such as national and international CSR guidelines, companies' annual reports, and case studies of Pakistani RMG industry. Data were analysed by applying thematic analysis and using NVivo software.

Final chapter of the thesis is chapter eight which is Conclusion and Recommendations. This chapter formally concludes the study by summarising the thesis, discussing implications of the study and the findings of the research. It also answers the research questions and makes recommendations for the policymakers and businesses in

Pakistan and Australia. Some research limitations were identified and future research scopes were discussed for researchers to investigate further. Thus, the study ends.

### 8.3 Implications of the Study

The implications of the study are broad and multifaceted and can be split into two main categories, they are theoretical and practical. Theoretical implications refer to the contributions and impacts of the research on existing theoretical frameworks and models within the field of Corporate Social Responsibility (CSR) and related disciplines. Here are some key theoretical implications:

The study found that cultural factors such as religious activities, and beliefs have significant impacts on CSR practices by the organisations in Pakistan. There is some research on national cultural dimensions and CSR and cross-cultural comparisons<sup>477</sup> but there is a lack of theoretical models in CSR that can be filled by the implication of this research. This research adds to the body of literature on legal compliance within CSR. It reinforces the importance of legal frameworks as a foundational aspect of responsible business conduct, especially within the context of developing economies like Pakistan. The findings also encourage the development of collaborative CSR models. Theoretical frameworks can be developed from this research to consider the mechanisms through which cross-border collaborations influence CSR standards and practices. The study advances the understanding of CSR in developing economies, offering theoretical insights into how CSR practices adapt to the economic, regulatory, and cultural contexts of such regions. The study has implications for CSR reporting models. There is some evidence which show that CSR reporting is not well practised in developing countries including Pakistan<sup>478</sup>. This research put more emphasis on this issue specifically considering a particular RMG industry which will add significant value to the existing literature.

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<sup>477</sup> Namporn Thanetsunthorn, 'The Impact of National Culture on Corporate Social Responsibility: Evidence from cross-regional comparison' (2015) 4 *Asian Journal of Business Ethics* 35, 56; Yu-Shu Peng, Altan-Uya Dashdeleg and Hsiang Lin Chih, 'National Culture and Firm's CSR Engagement: A Cross-Nation Study.' (5)1 *Journal of Marketing & Management*; Sirlene Koprowski et al, 'National Culture and Corporate Social Responsibility' (2021) 23 *Revista Brasileira de Gestão de Negócios* 488, 502.

<sup>478</sup> Imran Khan, Ismail Khan and Ismail Senturk, 'Board Diversity and Quality of CSR Disclosure: Evidence from Pakistan' (2019) 19(6) *Corporate Governance: The International Journal of Business in Society* 1187,1203; Aparna Bhatia and Binny Makkar, 'CSR Disclosure in Developing and Developed Countries: A Comparative Study' (2020) 11(1) *Journal of Global Responsibility* 1, 26.

The research also informs regulatory theory by emphasizing the role of regulations in promoting CSR. Theoretical models can consider how regulations influence organisational behaviour and practices. The study can contribute to theoretical implications for ethical dilemma models<sup>479</sup>. Models can address the ethical challenges faced by RMG organisations in balancing business interests with CSR obligations.

Thus, the theoretical implication of this research expands the theoretical landscape of CSR within the RMG industry in Pakistan. There are some practical contributions of the study too. The practical implications of the research are to unravel practical problems or developing real-world outcomes. The practical implications of this research offer actionable insights for organisations, policymakers, and other actors involved in the RMG sector as follows:

RMG organisations can refine and enhance their CSR strategies, placing a stronger emphasis on legal compliance and cross-border collaborations as tools for raising CSR standards. Organisations can recognize the importance of extending CSR efforts throughout the entire supply chain, ensuring suppliers and subcontractors also adhere to CSR standards. RMG organisations can invest in community engagement and development initiatives to foster goodwill, enhance their reputation, and contribute to the well-being of local communities. Organisations are encouraged to maintain transparent CSR reporting, accurately reflecting their CSR activities, legal compliance, and progress toward ethical and sustainable practices. CSR should be viewed as a long-term investment rather than a short-term obligation, with organisations dedicating resources and efforts to ensure the sustainability of CSR initiatives. Policymakers can consider the enhancement of legal frameworks and regulatory mechanisms to set and enforce minimum CSR standards within the RMG sector. Governments can provide incentives for organisations that actively engage in CSR and legal compliance, offering tax benefits or subsidies for ethical practices. This study directly informs regulatory bodies to ensure effective enforcement of CSR regulations, conducting regular audits and inspections to hold organisations accountable for their CSR activities. It also indicates that RMG organisations to engage actively in knowledge exchange with their

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<sup>479</sup> Michael E Blowfield and Catherine S Dolan, 'Stewards of Virtue? The Ethical Dilemma of CSR in African Agriculture' (2008) 39(1) *Development and Change* 1, 23.

Australian counterparts, learning from their CSR practices and adopting best practices.

These practical implications provide a roadmap for organisations to align their practices with ethical, legal, and sustainable standards, thus contributing to responsible and transparent business conduct within the RMG industry in Pakistan.

## **8.4 Summary of Findings**

After analysing both qualitative and quantitative primary data, the following propositions are established.

P1: Australian businesses have no significant effects on Pakistani RMG organisations for being profitable.

P2: Textile company compliance between Australian and Pakistani RMG organisations have positive impacts on the legal responsibilities of Pakistani organisations.

P3: Textile compliance between Australian and Pakistani RMG organisations has a significant effect on Pakistani companies' ethical responsibilities.

P4: Textile compliance between Australian and Pakistani RMG organisations has no significant effect on Pakistani companies' engagement in charitable activities.

## **8.5 Answer to the Research Questions**

This study answers the following research questions:  
research questions.

1. What are the existing regulations and legal frameworks governing CSR activities in the Pakistani readymade garment (RMG) industry?

In Pakistan, CSR activities are influenced by various laws and regulations, including labour laws, environmental regulations, and corporate governance codes. However, there is no specific, comprehensive CSR law. Chapter 3, Section 3.4 addresses CSR rules and guidelines in Pakistan.

2. How do these regulations compare with the CSR regulatory frameworks in Australia?

Australia has a more structured approach to CSR, with mandatory sustainability reporting for certain entities under the Australian Sustainability Reporting Standards (ASRS), which align with international standards. The Australian framework emphasises transparency and accountability, requiring detailed disclosures on environmental and social impacts.

3. What are the key differences and similarities between the enforcement mechanisms, penalties, and incentives for CSR compliance in Pakistan and Australia?

In Pakistan, enforcement of CSR-related regulations is often weak, with limited penalties for non-compliance. In contrast, Australia has robust enforcement mechanisms, including significant fines and penalties for non-compliance with sustainability reporting requirements. Both countries offer incentives for CSR compliance.

4. What are the practical challenges and roadblocks faced by Pakistani RMG organisations in adhering to CSR regulations?

Pakistani RMG organisations face several challenges in adhering to CSR regulations, including limited resources, lack of awareness, and weak enforcement of existing laws. Additionally, the focus on short-term profits often overshadows long-term CSR commitments.

5. How do collaboration and partnerships with Australian garment companies influence the CSR practices of Pakistani RMG organisations?

Collaborations with Australian garment companies can positively influence CSR practices in Pakistani RMG organisations by providing access to better resources, knowledge transfer, and adherence to higher standards of social and environmental responsibility.

6. What strategies can be recommended to improve the implementation and effectiveness of CSR initiatives in the Pakistani RMG industry, considering the regulatory landscape and international CSR guidelines?

To improve CSR implementation in the Pakistani RMG industry some recommendations are made in the next section.

Answer to the sub-questions.

1. What constitutes CSR and how has the concept evolved over time?

CSR encompasses a company's efforts to contribute positively to society and the environment beyond profit-making. It has evolved from philanthropic activities to a comprehensive approach integrating environmental management, social equity, and economic development. History of CSR articulated in Chapter 2.

2. How do RMG organisations in different industries implement CSR practices, and are there sector-specific variations?

RMG organisations implement CSR practices focusing on labour rights, environmental management, and community development. Sector-specific variations exist, with some industries emphasising certain aspects more due to regulatory pressures or market demands. In Chapter 2 Section 2.7.1 discusses more about CSR in apparel industry.

3. What theoretical frameworks can be used to analyse and evaluate CSR activities in organisations?

Common theoretical frameworks include, Stakeholder Theory, Shareholder Theory, Legitimacy Theory, Carroll's CSR Pyramid Model.

4. What are the implications of non-compliance with CSR regulations, including potential penalties and criminal consequences?

Non-compliance can lead to legal penalties, fines, reputational damage, and loss of customer trust. In severe cases, it can result in operational disruptions and criminal charges. CSR rules and regulations were discussed in Chapter 3.

5. How do international CSR guidelines and standards impact the CSR practices of RMG companies in Pakistan and Australia?

International guidelines like the OECD Guidelines, ISO, and the UN Global Compact influence CSR practices by providing frameworks for reporting and accountability, encouraging companies to adopt higher standards of social and environmental responsibility.

## 8.6 Recommendations

The preceding chapters of this thesis have offered a detailed exploration of Corporate (CSR) in the context of the Pakistani (RMG) industry. We have examined the impact of Australian garment companies and local regulatory frameworks on the CSR practices of RMG organisations in Pakistan. This research also discussed international and local CSR rules and regulations considering Australia and Pakistan. In this section, we shift our focus to the practical dimension of CSR by providing recommendations for RMG organisations, policymakers, and stakeholders.

- **Strengthen Legal Frameworks:** Policymakers should enhance legal frameworks to set clear and robust minimum CSR standards for the RMG sector in Pakistan. These standards should encompass labour, environmental, and ethical aspects of CSR, with effective enforcement mechanisms. Forming rules and regulations is the first step and enforcing them is the most crucial part which needs to be stronger. Non-government organisations can play an important role in this matter.
- **Australian Organisations' Initiatives:** RMG organisations in Pakistan and their Australian counterparts should proactively engage in cross-border collaborative initiatives that prioritize CSR. These initiatives should include knowledge exchange, joint CSR projects, and the sharing of best practices. These will develop people's knowledge about CSR within this industry substantially. Australian organisations have a significant effect on Pakistani organisations' CSR activities, particularly legal and ethical activities. If they develop their monitoring strategies, then it can affect the entire supply chain's CSR activities including other organisations in Pakistan who are not directly involved with the Australian RMG companies. Australian brands should also support the Accord's programme in Pakistan, ensuring worker health and safety in the RMG supply chains of companies sourcing from Pakistan.
- **Transparency and Reporting:** RMG organisations should maintain transparent CSR reporting, accurately reflecting their CSR activities, legal compliance, and progress toward ethical and sustainable practices because transparency builds trust with stakeholders.



- **Community and Stakeholder Engagement:** RMG organisations should actively engage with local communities, workers, advocacy groups, and other stakeholders. Involving these parties in CSR decision-making processes and addressing community needs and concerns is essential.
- **Increase Consumer Awareness:** Consumer education and awareness programs should be initiated to inform buyers about the significance of supporting socially responsible RMG organisations. Consumers should be encouraged to consider CSR practices and legal compliance when making purchasing decisions. Australian organisations should play a vital role in enhancing consumer awareness by arranging different types of CSR awareness campaigns in partnership with their supplier organisations.

The insights gleaned from this research advise the foundation upon which these recommendations are built. While recognising the diverse challenges and opportunities that CSR presents in the Pakistani and Australian RMG sectors, we aim to guide practitioners and policymakers toward more effective and sustainable CSR strategies. It is our hope that these recommendations will not only enhance the CSR landscape in the RMG industry but also contribute to broader discussions on corporate social responsibility in developing economies and the global fashion industry.

## 8.7 Research Limitations

Research limitations refer to the constraints, challenges, or factors that may have affected the scope, execution, or generalisability of research. Here are some limitations to consider in the context of this study:

- **Sample Size:** The study could have a larger sample size from more RMG organisations in Pakistan to represent the entire RMG industry in Pakistan. Around 15 million people, nearly 25 per cent of the total workforce, are employed in this sector<sup>480</sup> which is a very large amount of people to cover. Because of time and financial constraints, this was not possible for the researcher. To get further information related to workers' wages, workplace environment, and other companies' ethical practices A larger-scale study might provide more comprehensive results.

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<sup>480</sup> Pakistan, *Asia Garment Hub* <<https://asiagarmenthub.net/agh-countries/pakistan>>.

- **Limited Scope of Analytical Techniques:** The analytical techniques used in this study primarily focused on descriptive and basic inferential methods, which, while useful for exploring CSR practices and rules and regulations may not have captured the full complexity of the relationships between variables. More advanced techniques, such as regression analysis or structural equation modelling, could have provided a deeper understanding of the causal relationships and the strength of associations between different CSR dimensions.
- **Social Desirability Bias:** Respondents, particularly in surveys or interviews, may provide socially desirable responses, potentially overstating their commitment to CSR activities and legal compliance. Usually, individuals have tendencies to respond in a way that is socially acceptable or viewed favourably by others rather than providing responses that reflect their true beliefs or behaviours. Respondents may feel a societal expectation or pressure to support socially responsible initiatives. As a result, they might exaggerate or overstate their organisational activities to align with perceived societal expectations. At the same time individuals or organisations might be hesitant to admit non-compliance with legal standards, regulations, or other CSR practices. This could lead to underreporting or downplaying instances where legal obligations or ethical standards are not met. Respondents sometimes prioritize maintaining a positive image of their workplace which can also influence their responses to portray themselves or their organisations as socially responsible, even if the actual practices do not fully align. For example, employees can be biased while providing information related to paying bonus, maintaining workplace safety, engaging child labours, dealing with industrial wastes, etc.
- **Social and Cultural Factors:** The research did not fully capture the influence of social and cultural factors on CSR practices. There is a significant number of studies showing that these factors have significant effects on companies' CSR activities. For example, making donations, helping poor people financially, charitable works these are strongly influenced by religion in Pakistan. People take part in these activities mostly from religious perspectives instead of thinking about corporate social responsibilities.

Power distance, gender discriminations and social classes have also an impact on organisational and individual activities. People in Pakistan can unconsciously accept inequalities and unlawful conditions from their superiors. Therefore, information regarding force labour, joining trade union, providing valuable things, etc. can be biased because of cultural factors.

- **Language Barriers:** Language barriers were noticeable while collecting data from Pakistan. As the researcher is a student at an Australian university, the questionnaire was in English. It was translated into Urdu to collect data, as most participants in Pakistan do not speak English. Transcripts were again translated into English to present and analyse data. The process of translation does not help sometimes as “True meanings of words of emotion get lost in translation,”<sup>481</sup>.

Some employees answered in English which are not grammatically correct but provides inner meaning. Some direct quotes were used in chapter 6 which reflect this situation.

- **External Factors:** External factors, such as the effect of the COVID-19 pandemic, political changes in Pakistan were intensive. In Pakistan when I went to collect data there were still COVID restrictions. So, it was a bit difficult to access the companies. Some companies did not allow me to visit their factories. Another limitation was political instabilities in Pakistan which is why I had to reschedule my field trip a couple of times. In addition, I could not freely explore all the garment industrial areas.

## 8.8 Future Research Scopes

Future research scopes in the context of CSR in the Pakistani RMG industry, with a focus on legal compliance and Australian collaborations, are rich and diverse. Here are some potential areas for future research:

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<sup>481</sup> Nicola Davis, ‘True Meanings of Words of Emotion Get Lost in Translation, Study Finds,’ *The Guardian* (online, February 1, 2020) <<https://www.theguardian.com/science/2019/dec/19/true-meanings-of-words-of-emotion-get-lost-in-translation-study-finds>>.

Conducting longitudinal studies to assess the evolution of CSR practices and legal compliance over time. Examining changes and trends in the RMG industry can provide valuable insights into the impact of regulatory changes and collaborative efforts.

New research covering the entire industry and employees within the industry would contribute uniquely. Also, recent case-laws related to RMG compliance is necessary. This can be compared with any recent or previous cases in Australia or other developed countries to identify gaps of law and enforcement systems.

There is scope for further research to compare the CSR practices and legal compliance of RMG organisations in Pakistan with those in other countries or regions.

Another scope for the future researcher can be investigating CSR and legal compliance within specific subsectors of the RMG industry, such as textiles, fashion, or sportswear. Each subsector may have unique challenges and opportunities.

It is important to explore the influence of CSR practices and legal compliance throughout the RMG supply chain, from raw material suppliers to manufacturers and retailers. Assess the ripple effect of CSR efforts could be fruitful.

Future researchers can Investigate the role of stakeholder engagement in shaping CSR practices and legal compliance. In addition, it can be useful to analyse how the involvement of workers, communities, and advocacy groups influences CSR initiatives.

Identifying the perceptions and experiences of RMG employees regarding CSR practices and legal compliance. Understand how CSR affects job satisfaction, well-being, and work conditions. Some other areas are - exploring the impact of changes in regulations and policies on CSR practices and legal compliance in the RMG industry. Researchers should also consider the impact of social and cultural factors have on CSR practices within the Pakistani RMG context, and explore the role of cultural norms, values, and expectations.

These future research scopes provide opportunities to enhance the understanding of CSR in the RMG industry, particularly in the Pakistani context with an emphasis on legal compliance and the impact of Australian or any other developed countries' organisations. They can inform industry practices, regulatory frameworks, and policy development, contributing to more responsible and sustainable business conduct.

## 8.9 Summary

The final chapter of this thesis marks the conclusion of an extensive exploration into the complex and multifaceted landscape of (CSR) within the Pakistani (RMG) industry, with a particular focus on legal compliance and the influence of Australian RMG organisations. In this chapter, we revisited the primary research questions, consolidate the findings, and reflect on the broader implications and contributions of this study.

The research, guided by the central research questions, sought to shed light on the impacts of Pakistani regulations and Australian collaborations on the CSR activities of RMG organisations within Pakistan. The findings, insights, and limitations uncovered throughout this study have provided a comprehensive understanding of the intricate dynamics at play in the realm of CSR.

Key findings include the role of legal compliance as a foundational framework for responsible business conduct, the potential transformative influence of collaborations with Australian RMG companies on CSR standards and practices, and the significance of legal regulations in shaping CSR initiatives within the RMG sector. The impact of legal compliance and cross-border partnerships extends beyond mere compliance and has far-reaching implications for the reputation, competitiveness, and sustainability of RMG organisations.

In this chapter, the study acknowledged its limitations. These limitations are recognised as opportunities for future research and emphasize the complexity of the CSR landscape.

The implications of this research are wide-ranging and include recommendations for RMG organisations, policymakers, and stakeholders. The study emphasizes the need for continuous improvement in legal frameworks, cross-border collaborations, and robust regulatory enforcement. The collaborative efforts of Australian RMG organisations in promoting higher CSR standards are highlighted as a catalyst for positive change in the industry.

As this chapter concludes, the significance of this research extends not only to academic discourse but also to practitioners, policymakers, and stakeholders in the RMG industry. The insights generated in this study contribute to the global conversation on CSR, ethical business conduct, and the sustainability of the RMG

sector, positioning it as a vital area for responsible and transformative business practices.

In closing, this research encourages further exploration, knowledge sharing, and the implementation of responsible CSR practices, recognizing that these endeavours are essential for the continued advancement of the RMG industry and, ultimately, for the well-being of society and the environment.

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# Appendices

# Appendix 1: Information to participants involved in research

## **You are invited to participate.**

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You are invited to participate in a research project entitled “Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with Respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations”.

Muhammad Usman Akbar conducted this research. He is a research student and conducting this research as part of a PhD study at Victoria University. The research is supervised by Professor Michael Stuckey and Professor Lidia Xynas from the College of Law & Justice.

## **Project explanation**

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The main aim of this research is to identify the Corporate Social Responsibility activities of ready-made garment organisations in Australia and Pakistan by comparing their Corporate Social Responsibility (CSR) practices and the CSR laws in these two countries. A comparative study can help to understand what has made the clothing organisations in a developed country practices better than the textile companies in a developing country.

## **What is Corporate Social Responsibility (CSR)?**

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Corporate Social Responsibility (CSR) is the obligations of businesses to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. It guides the organisations to manage their commercial operations to meet public expectations and increase socio-economic wellbeing.

## **What will I be asked to do?**

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You will be asked to complete a questionnaire by the research candidate, Muhammad Usman Akbar, regarding the Corporate Social Responsibility activities of your organisation. This process will take approximately 20-25 minutes. During the conversation, he will take notes either by hand or on a computer.

## **What will I gain from participating?**

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There is no expense, reward, and payment for taking part in the research. Although you may not directly benefit from this research, the research will assist to gain a better understanding about the Corporate Social Responsibility activities of the organisations. This may benefit all readymade garment employees in general. The researcher will share and discuss this information with any participant who wishes to have it, and who may find it interesting and useful.

### **How will the information I give be used?**

---

The information collected will be used solely for data gathering and analysis in the thesis to be published by Victoria University. With your consent, data will be stored on the researcher's computer. Your name will not be included; instead, your questionnaire response will be coded to differentiate it from other responses and to allow the researcher to follow up with you if necessary. The data will be stored on password-protected computers in locked offices and kept for five years after which it will be permanently deleted. Any paper copies of the questionnaire will be securely stored in locked cabinets. After five years, these paper copies will be destroyed by shredding. If at any time you wish to have your questionnaire response destroyed, please inform the researcher, and they will ensure that your data is securely disposed of. Additionally, the researcher is happy to provide you with a copy of your questionnaire response, the study findings, or any related publications if you wish to receive them.

### **What are the potential risks of participating in this project?**

The only potential risk associated with this research is the possibility of participants being publicly identified. To reduce this risk, the researcher will not collect or publish the names of individuals or organizations unless specifically requested by the participants themselves. The researcher will discuss issues of anonymity and access to draft publications with you upon completion of the questionnaire. You are free to withdraw from this research at any time, without facing any disadvantages, penalties, or negative consequences. You also have the right to request that any data collected during your participation not be used in the research, as long as this request is made within four weeks after your participation ends. To withdraw your consent, please notify the researcher via email or phone. You will also be asked if you are willing to allow your contributions to be included in public materials, such as scholarly publications. Please note that you can withdraw your consent for the use of your personal quotes and narratives at any time before the finalisation of these publications.

### **How will this project be conducted?**

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Primary data will be collected from your organisation/yourself and the data gathered will be aggregated and the data set will be evaluated statistically and published in a thesis.

### **Who is conducting the study?**

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#### **Chief Investigator**

Professor Michael Stuckey  
Honorary Professor, College of Law & Justice, Victoria University  
Ph: +61 (3) 9919 7857  
email: michael.stuckey@vu.edu.au

#### **Student Researcher**

Muhammad Usman Akbar  
PhD student, Victoria University.  
Ph: +61 (0) 452235521

email: [mohammad.akbar2@live.vu.edu.au](mailto:mohammad.akbar2@live.vu.edu.au)

If you have any questions regarding your participation in this project, please reach out to the Chief Investigator mentioned above. For any concerns or complaints about how you have been treated, you can contact the Ethics Secretary at the Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001, via email at [researchethics@vu.edu.au](mailto:researchethics@vu.edu.au), or by phone at (03) 9919 4781 or 4461.

## Appendix 2: Ethics Application

RE: Quest Ethics Notification - Application Process Finalised - Application Approved



Michael Stuckey <Michael.Stuckey@vu.edu.au>

To: Quest NoReply

Cc: Muhammad Akbar; Kumi Heenetigala



Wed 7/06/2023 1:24 PM

Your ethics application has been formally reviewed and finalised.

- » Application ID: HRE22-179
- » Chief Investigator: PROF MICHAEL STUCKEY
- » Other Investigators: PROF ANONA ARMSTRONG, MR MUHAMMAD USMAN AKBAR, DR KUMI HEENETIGALA
- » Application Title: A Comparative Study between Corporate Social Responsibility Practices in Pakistan and Australia: A Legal Perspective
- » Form Version: 13-07

The application has been accepted and deemed to meet the requirements of the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007) Updated 2018' by the Victoria University Human Research Ethics Committee. Approval has been granted for two (2) years from the approval date; 07/06/2023.

Continued approval of this research project by the Victoria University Human Research Ethics Committee (VUHREC) is conditional upon the provision of a report within 12 months of the above approval date or upon the completion of the project (if earlier). A report proforma may be downloaded from the Office for Research website at: <http://research.vu.edu.au/hrec.php>.

Please note that the Human Research Ethics Committee must be informed of the following: any changes to the approved research protocol, project timelines, any serious events or adverse and/or unforeseen events that may affect continued ethical acceptability of the project. In these unlikely events, researchers must immediately cease all data collection until the Committee has approved the changes. Researchers are also reminded of the need to notify the approving HREC of changes to personnel in research projects via a request for a minor amendment. It should also be noted that it is the Chief Investigators' responsibility to ensure the research project is conducted in line with the recommendations outlined in the National Health and Medical Research Council (NHMRC) 'National Statement on Ethical Conduct in Human Research (2007) Updated 2018.'

Please note that it is the responsibility of the principal supervisor to ensure the ethics declaration is included in the candidate's thesis at the time of submission.

On behalf of the Committee, I wish you all the best for the conduct of the project.

Secretary, Human Research Ethics Committee

Phone: 9919 4781 or 9919 4461

Email: [researchethics@vu.edu.au](mailto:researchethics@vu.edu.au)

# Appendix 3: Consent Form

## CONSENT FORM FOR PARTICIPANTS INVOLVED IN RESEARCH

### INFORMATION TO PARTICIPANTS:

We would like to invite you to be a part of a study into "Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with Respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations"

The main aim of this research is to identify Corporate Social Responsibility activities of ready-made garment organisations in Australia and Pakistan. By comparing their Corporate Social Responsibility practices and the Corporate Social Responsibility laws in these two countries as a comparative study can help to understand what makes the clothing organisations in a developed country practices better than the textile companies in a developing country. This is an empirical study. Primary data will be collected by interviewing a number of garment employees. The data will be aggregated and then analysed to provide evidence to support the theories about why the differences occur. There is a minimal social risk of reputational damage due to non-authorised access of confidential information, however, all steps will be taken to ensure the data security and keeping the information and response of the participants confidential. No personal data will be collected, and participants' information will not be disclosed.

### CERTIFICATION BY PARTICIPANT

I certify that I am at least 18 years old\* and that I am voluntarily giving my consent to participate in the study:

*'Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with Respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations'* being conducted at Victoria University by: Mr Muhammad Usman Akbar under the supervision of Professor Michael Stuckey and Professor Lidia Xynas.

I certify that the objectives of the study, together with any risks and safeguards associated with the procedures listed hereunder to be carried out in the research, have been fully explained to me by:

Muhammad Usman Akbar

and that I freely consent to participation involving the below-mentioned procedures:

- Questionnaires

I certify that I have had the opportunity to have any questions answered and that I understand that I can withdraw from this study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Signed:

Date:

Any queries about your participation in this project may be directed to the researcher or the Ethics Committee at Victoria University

### Chief Investigator

Professor Michael Stuckey  
Honorary Professor, College of Law & Justice, Victoria University  
Ph: +61 (3) 9919 7857  
email: michael.stuckey@vu.edu.au

If you have any queries or complaints about the way you have been treated, you may contact the Ethics Secretary, Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001, email Researchethics@vu.edu.au or phone (03) 9919 4781 or 4461.]

[\*please note: Where the participant/s are aged under 18, separate parental consent is required; where the participant/s are unable to answer for themselves due to mental illness or disability, parental or guardian consent may be required. REMOVE THIS NOTE WHEN USING THIS TEMPLATE]



# Appendix 4: Questionnaire

## Questionnaire

### Introduction

I, Muhammad Usman Akbar would like to invite you to take part in my research which is titled “Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with Respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations”.

I am conducting this research as part of a PhD study at Victoria University. My supervisors are Professor Michael Stuckey, Professor Lidia Xynas Fgia from the College of Law & Justice.

The main aim of this research is to identify the Corporate Social Responsibility (CSR) activities of ready-made garment organisations in Australia and Pakistan by comparing their CSR practices and the CSR laws in these two countries. A comparative study can help to understand what has made the clothing organisations in a developed country practice Corporate Social Responsibility activity better than the textile companies in a developing country.

### Participant Code:

Consider the following questions regarding your company's Corporate Social Responsibilities; please answer them by ranking from 1 to 5, as follows.

1 - Strongly disagree, 2 – disagree, 3 – no view, 4 – agree, 5 – strongly agree

### Part 1: Economic Responsibilities:

1. This is a profitable organisation

1	2	3	4	5
---	---	---	---	---

Any Comment:

2. Your organisation pays wages on time.

1	2	3	4	5
---	---	---	---	---

Any Comment:

3. Your organisation pays regular bonuses.

1	2	3	4	5
---	---	---	---	---

Any Comment:

## Part 2: Legal Responsibilities:

4. The company works with the unions.

1	2	3	4	5
---	---	---	---	---

Any Comment:

5. Employees are free to leave after giving reasonable notice

1	2	3	4	5
---	---	---	---	---

Any Comment:

6. Employees are not required to provide any deposits or payments to secure their job.

1	2	3	4	5
---	---	---	---	---

Any Comment:

7. Employees are not forced to work.

1	2	3	4	5
---	---	---	---	---

Any Comment:

8. Employee safety is supervised by the local authorities.

1	2	3	4	5
---	---	---	---	---

Any Comment:

9. Employees are paid at least minimum wage as National Minimum wages.

1	2	3	4	5
---	---	---	---	---

Any Comment:

10. Employees are entitled to get all other benefits such as sick pay, maternity and paternity leaves, paid holidays,

1	2	3	4	5
---	---	---	---	---

Any Comment:

**If not: which benefits do not apply?**

11. Employee safety is maintained by the organisation properly.

1	2	3	4	5
---	---	---	---	---

Any Comment:

12. The organisation does not allow child labour.

1	2	3	4	5
---	---	---	---	---

Any Comment:

**Part 3: Ethical Responsibilities:**

13. The organisation does not allow any gender discrimination.

1	2	3	4	5
---	---	---	---	---

Any Comment:

14. Any individual from any ethnic group can work in this organisation

1	2	3	4	5
---	---	---	---	---

Any Comment:

15. Individuals from all ethnic groups can work comfortably.

1	2	3	4	5
---	---	---	---	---

Any Comment:

16. Employees can report any misbehaviour or criminal activities anonymously.

1	2	3	4	5
---	---	---	---	---

17. Employees are not asked to give or receive anything of value with the intention of persuading a person to act or to reward a person for having acted.

1	2	3	4	5
---	---	---	---	---

Any Comment:

#### Part 4: Philanthropic Responsibilities:

18. The company supports charitable organisations.

1	2	3	4	5
---	---	---	---	---

Any Comment:

19. The company supports the local community.

1	2	3	4	5
---	---	---	---	---

Any Comment:

20. The company encourages or allows employees to organise charity programs.

1	2	3	4	5	
---	---	---	---	---	--

Any Comment:

21. The company recycles business waste.

1	2	3	4	5
---	---	---	---	---

Any Comment:

22. The company makes sure that any hazardous waste is correctly classified and they are either disposed of or recovered at an appropriately authorised facility.

1	2	3	4	5
---	---	---	---	---

Any Comment:

#### Respondent details

How long have you worked for this company?

- A) 0 – 5 years
- B) 6 – 10 years
- C) 11 – 20 years
- D) 21 – 30 years
- E) 30+ years

#### Company details

Number of employees

- A) 1-9
- B) 10-49
- C) 50-250
- D) 250+

Are there any children work here?

- A) Yes
- B) No

If yes, what is the percentage?

- A) 1-5%
- B) 6-10%
- C) 11-20%
- D) 21-30%

What is the percentage of Male employees?

- A) 0- 10%
- B) 10-20%
- C) 21-30%
- D) 31-40%
- E) 41-50%
- F) 51-60%
- G) 61-70%
- H) 71-80%
- I) 81-90%
- J) 91-100%

What is the percentage of Female employees?

- A) 0-10%
- B) 11-20%
- C) 21-30%
- D) 31-40%
- E) 41-50%
- F) 51-60%
- G) 61-70%
- H) 71-80%
- I) 81-90%
- J) 91-100%

**Please tick where appropriate.**

Age	18-20 <input type="checkbox"/>	21-30 <input type="checkbox"/>	31-40 <input type="checkbox"/>	41-50 <input type="checkbox"/>	51-60 <input type="checkbox"/>	60+ <input type="checkbox"/>
Gender	M <input type="checkbox"/>		F <input type="checkbox"/>		Other <input type="checkbox"/>	
Educational Qualification	School <input type="checkbox"/>		Post school <input type="checkbox"/>		Higher ED <input type="checkbox"/>	

## Appendix 5: Invitation Email

### Invitation email

Dear

My Name is Muhammad Usman Akbar, and I am conducting research as part of my Doctoral degree in the Law and Business school at Victoria University under the supervision of Professor Michael Stuckey and Professor Lidia Xynas Fgia.

I would like to invite you to be a part of a study “Exploring Legal Compliance for Corporate Social Responsibility (CSR) in Pakistan with Respect to the Ready-Made Garment (RMG) Industry: In the Context of Australian RMG Organisations”.

The main aim of this research is to identify Corporate Social Responsibility activities of ready-made garment organisations in Australia and Pakistan. By comparing their Corporate Social Responsibility practices and the Corporate Social Responsibility laws in these two countries as a comparative study can help to understand what makes the clothing organisations in a developed country better practice Corporate Social Responsibilities activities than the textile companies in a developing country. This is an empirical study. Primary data will be collected by interviewing a number of garment employees from different organisations. To that end, your organisation has been selected and I would like to visit your organisation for a day to collect data from the managers and workers. I need your official permission for this. Your cooperation is greatly appreciated.

Closed ended questionnaire will be used to collect data from managers and the other employees. The data will be aggregated and then analysed to provide evidence to support the theories about why the differences occur. Risks to you and your organisation are low. Your identity and responses will not be traceable to your organisation. You can withdraw your and the organisation’s participation at any time during the questionnaire without implications. If you choose to participate, I would request you to nominate 3-4 senior managers and 18-20 member of employees from admin, accounts, team leaders and supervisors to participate in the research.

Expecting your response at the earliest. Please do not hesitate to contact me if you have any further questions. I am available through phone or email at any time to clarify any concerns you may have.

Thanking you for your kind cooperation.

Kind regards,

**Muhammad Usman Akbar**

Doctoral Researcher, Victoria University.

Email [muhammad.akbar2@live.vu.edu.au](mailto:muhammad.akbar2@live.vu.edu.au)



## Appendix 6: Interview Schedule

### Interview Schedule (10 Companies in 20 Days)

Tasks	Date	Time
Meeting manager		9.00 am
Introduction		9.10 am
Explaining the documents and rights of the employees		9.20 am
Q&A to clarify any doubts		10.00 am
Questionnaire distribution		10.10 am
Questionnaire collection		2.00 pm
Thanking and leaving the organisation		2.30 pm