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**Corporate Social Responsibility Reporting: Towards a Framework  
for Pakistan**

A thesis  
submitted in fulfilment  
of the requirements for the degree  
of  
**Doctor of Philosophy in Accounting**  
at  
**The University of Waikato**  
by  
**Muhammad Taimur**



THE UNIVERSITY OF  
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## **Abstract**

Corporations disseminate Corporate Social Responsibility Reporting (CSRR) to discharge accountability and transparency to their stakeholders and achieve corporate legitimacy in society. Originating from the developed countries, CSRR practices have been mainly dominated by the ideas and practices from the United States, United Kingdom, Germany, and Australia, etc., which have influenced CSRR practices in developing countries. Several scholars argue that CSRR is a context-specific concept, and therefore it should incorporate the contextual factors including the socio-economic, political, religious, and cultural factors of the country, and should be based on the perspectives of local stakeholders. The call to incorporate contextual factors provides the impetus for this study to develop a context-specific CSRR framework and to evaluate current CSRR practices of public listed companies in Pakistan. The three interrelated objectives of the study are, (a) to construct a stakeholder-based CSRR index for Pakistani corporations, (b) to evaluate the extent and quality of CSRR practices of Pakistani listed companies, and (c) to examine the factors influencing CSRR practices in Pakistan. To achieve the objectives of the study, a sequential mixed-methods approach was employed and the investigation was completed in three stages. In the first stage, a CSRR index consisting of 70 items was developed in consultation with 50 Pakistani stakeholders from eight groups representing corporate managers, customers, religious clerics, investors, auditors and accountants, corporate employees, government regulators, and academicians. In the second stage, the stakeholders-based CSRR index was applied to the annual reports of 25 listed Pakistani corporations to evaluate the extent and quality of CSRR practices in Pakistan. Finally, statistical techniques, including the correlation and multiple regression analysis, were employed to determine the impact of twelve company-specific factors on the CSRR practices of the Pakistani corporations examined.

To provide insights on the findings, the study adopts an integrated theoretical framework including stakeholder theory, legitimacy theory, institutional theory, signaling theory, and agency theory. The interpretation with reference to the theoretical framework provides insights into the CSRR practices of Pakistani corporations. In addition, the study also examines the theories in light of the empirical findings. The findings of the study suggest a considerably low extent and quality of CSRR practices in Pakistan. It points to a significant information gap between the expectations of Pakistani stakeholders and the

actual CSRR disclosed by the Pakistani corporations. It is argued that low stakeholders' activism, the weak influence of normative and coercive forces, and the absence of context-specific CSRR framework and guidelines lead to the low extent and quality of CSRR observed in this study. The regression analysis reveals that firm size, industry, the board size, family ownership, and government ownership significantly influence the CSRR practices in Pakistan. However, this association was not evident with respect to profitability, financial leverage, audit type, firm age, independent and women directors, and foreign ownership. The empirical findings, which are interpreted through the theoretical lenses adopted in this study, indicate that CSRR in Pakistan is used for reputational and impression management, window-dressing, and greenwashing purposes rather than to discharge accountability and transparency to the extended stakeholder groups.

The study makes several contributions to the field of CSRR from multiple perspectives. First, the study contributes in the form of a CSRR framework that would guide the CSRR practices and enable the regulatory authorities to make policies and statutory recommendations for the enforcement of CSRR in Pakistan. Second, it contributes to the extant literature by suggesting a systematic method and approach to construct a CSRR index and evaluate CSRR practices in line with the stakeholders' perspectives and contextual factors. Third, this study highlights the implications of CSRR practices in an Islamic context and therefore contributes to the Islamic scholarship on CSRR. Finally, the study provides new empirical insights on CSRR theories in light of the specific context of a predominantly Islamic country.

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## **List of Abbreviations**

A4S	Accounting 4 Sustainability
ACCA	Association of Certified Chartered Accountants
ADQV	Average Disclosure Quality Value
ANOVA	Analysis of Variance
BOD	Board of Directors
CEP	Council on Economic Priority
CIDOB	Centre d'Informació i Documentació Internacionals a Barcelona
CPEC	China-Pakistan Economic Corridor
CRCP	Consumer Rights Commission of Pakistan
CSR	Corporate Social Responsibility
CSRR	Corporate Social Responsibility Reporting
DJSI	Dow Jones Sustainability Index
ESG	Environmental, Social, and Governance
FFC	Fauji Fertilizer Company
FSC	Federal Shariat Court
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
IIRC	International Integrated Reporting Council
ILO	International Labor Organization
IR	Integrated Reporting
KEL,	Karachi Electric Company
KSE	Karachi Stock Exchange
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
OCSR	Observatory on Corporate Social Responsibility
PBS	Pakistan Bureau of Statistics
PBUH	Peace Be Upon Him
PEPA	Pakistan Environmental Protection Agency
PICG	Pakistan Institute of Corporate Governance
PR	Public Relations
PSX	Pakistan Stock Exchange
PTCL	Pakistan Tele Communication Limited
ROA	Return on Assets

ROE	Return on Equity
SASB	Sustainability Accounting Standards Board
SBP,	State Bank of Pakistan
SDPI	Sustainable Development Policy Institute
SECP	Securities and Exchange Commission of Pakistan
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
SRI	Socially Responsible Investors
TBL	Triple Bottom Line
CSEAR	Centre for Social and Environmental Accounting Research
UN	United Nations
UNCOP	United Nations Communication on Progress
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNGC	United Nations Global Compact
VIF	Variance Inflation Factor

# **Chapter One**

## **Introduction to the Thesis**

### **1.1 Introduction**

The world is suffering from a range of socio-economic and environmental issues including climate change, income inequality, poverty, lack of education and health, labor rights, and depletion of natural resources (United Nations, 2020; Partington, 2019; Jianping et al., 2014; Grossman, Erikson, & Patel, 2013; Sen, 1999). The implications of these issues are exacerbated in developing countries, as government capabilities and resources are in short supply in the majority of the developing countries (White, 2019; Fernando, 2013). Despite this, corporations face a raft of societal expectations owing to the notion of a social contract between businesses and the society in which it operates (Deegan, 2002; Reverte, 2009). In response, the corporate sector will look to undertake Corporate Social Responsibility (CSR hereafter) initiatives to uplift the socio-economic development of the country and will publish CSR reports (CSRR hereafter) to ensure their transparency and accountability to the stakeholders. Indeed, the concepts of CSR and CSRR have gained popularity due to the supportive actions of the United Nations and social pressure imposed by NGOs, social activists, and other stakeholders (Fernando, 2013).

In contrast to this trend, the corporate sector in Pakistan has added to the ever-growing issues in the country (Lund-Thomsen, 2004). Some of the problems caused by the corporate sector include the exploitation of workers, child labor, the depletion of natural resources, consumer rights violations, and unprecedented environmental degradation (Szegedi, Khan, & Lentner, 2020; Huma, 2018; Hassan, 2018). The emphasis on CSRR to ensure transparency and accountability is considerably low in Pakistan (Hongming et al., 2020). In a society like Pakistan, where religion is a dominant influence in everyday life (PBS, 2020; Trimble, 2018; Nag, 2018; Yunis, 2013), Islamic prescriptions provide clear directives on human welfare, conservation of natural resources, and accountability (Elasrag, 2015; Uddin, 2003). Given this context, the rise in corporate malpractices and lack of transparency and accountability is surprising.

Following the trend in the developed and other developing countries, the Securities and Exchange Commission of Pakistan (SECP) has issued CSR voluntary guidelines in 2013 (Lone, Ali, & Khan, 2016). Consequently, the Western ideas and frameworks of CSRR

influence the CSRR practices and research in Pakistan (see, for instance, Khan, Khan, & Senturk, 2019; Rustam, Wang, & Zameer, 2019). However, the adoption of some of these guidelines are voluntary and do not provide specific prescriptions for CSR disclosures that are specific to Pakistan. Several scholars (Duthler & Dhanesh, 2018; Tilt, 2016; Cheruiyot & Tarus, 2017; Jamali & Karam, 2016; Visser, 2008; Matten & Moon, 2005) recommend the formulation of context specific guidelines that consider the social, economic, religious, political, and cultural conditions that are idiosyncratic to the given country. In line with these recommendations, this study develops a CSRR framework based on the perspectives of Pakistani stakeholders, and the contextual issues and unique socio-economic, religious and cultural settings of Pakistan. The context-specific CSRR framework is expected to bring improvements to the CSR and CSRR practices in Pakistan and guide corporations to mitigate the socio-economic and environmental issues in the country. It will also serve as a guide for corporations to ensure transparency and accountability towards their stakeholders.

The remainder of this chapter is organized as follows. Section 1.2 provides a historical account of CSR and CSRR. Section 1.3 presents the research context of Pakistan and discusses the current gaps in the CSRR literature in Pakistan. This is followed by the research objectives and research questions in section 1.4. The research methodology and methods applied in the study are presented in section 1.5. Section 1.6. provides an overview of the theoretical framework used to interpret the findings of the study. A discussion on the theoretical, methodological, and practical contributions of the study is presented in section 1.7. In section 1.8, the limitations of the study are discussed and this is followed by an outline of the structure of the thesis in section 1.9. Finally, section 1.10 summarizes and concludes the chapter.

## **1.2 CSR and CSRR**

CSR is premised on the realization that corporate operations have serious impacts on society and the environment (Baskin, 2006; Sobhani, Amran, & Zainuddin, 2009). CSR is an umbrella term used to describe how corporate entities integrate social and environmental obligations in their business activities (Blowfield & Frynas, 2005; Watson & Mackay, 2003). Bowen (1953, p. 6) defines CSR as, “the obligations of business to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of the society”.

While the history of CSR can be traced back to several centuries (Carroll, 1999, 2008), CSR in its current form gained academic and corporate recognition in the 1950s (Beal, 2014; Okoye, 2009). Murphy (1978) classifies the development of CSR into four distinct eras: the philanthropic, awareness, issues and responsiveness eras. According to Murphy (1978), CSR until the 1950s was more of a “*philanthropic*” activity and the focus of CSR programs was limited to providing charitable donations to the underprivileged in society. The second era, 1953-67, was the “*awareness*” period where companies expanded their focus from philanthropy to an agenda of overall community development. In the “*issue*” era, 1968-73, the focus of CSR narrowed down to deal with specific socio-environmental issues including environmental pollution, racial discrimination, unemployment, etc. Finally, in the period 1974-78 and onwards, termed as the “*responsiveness*” era, serious management actions to improve and implement CSR, such as strategizing and implementing corporate ethics, appointing and altering board of directors, and providing socio-environmental disclosures, were undertaken (Carroll, 2008).

Corporate reporting has also evolved over the years from the preparation of simple financial statements into more comprehensive reporting to incorporate issues relating to governance, the environment, and sustainability (Lusher, 2012). The shift in corporate reporting is partly due to increasing global demand from shareholders, NGOs, and other stakeholder groups for accountability and transparency beyond the bottom line (Abernathy, Stefaniak, Wilkins, & Olson, 2017; English & Schooley, 2014; Lyon & Maxwell, 2011). Subsequently, several approaches to non-financial reporting emerged in the last few decades, including carbon accounting, green accounting and environmental reporting (Owen, Gray, & Bebbington, 1997), Triple Bottom Line Reporting (Elkington, 2004), CSRR, corporate social and environmental reporting, ESG reporting and sustainability reporting (Amran & Haniffa, 2011). These concepts are used interchangeably and CSRR has often been referred to as corporate social disclosure, TBL reporting, and lately as sustainability reporting (GRI, 2011; Amran & Haniffa, 2011; Douglas, Doris, & Johnson, 2004). Further, many prominent international organizations, including the United Nations (UN), the International Labor Organization (ILO), the European Commission (EU), and the Organization of Economic Co-operation and Development (OECD), endorsed the concepts of CSR and CSRR (Lee, 2008). Some of the key global developments that were supportive in the upsurge of CSR and CSRR include the UN Conference on Human Development in 1972, the UN Conference on

Environment and Development in 1992, the World Summit for Social Development in 1995, the World Summit on Sustainable Development in 2002, the UN Climate Change Conference in Paris 2015, and the Climate Action Summit in 2019.

Following the UN initiatives and the growing global interest in CSR and CSRR, several non-financial reporting standards and guidelines have also been developed to guide corporations on their CSRR. These standards and guidelines include Global Reporting Initiative's (GRI) G3 & G4 standards, the United Nations Global Compact's Communication on Progress (UNCOP) and the European Commission's Guidelines on non-financial reporting. Although these standards and guidelines have become popular, as already noted, several scholars have called for the inclusion of country specific factors in the development of CSRR frameworks to be operationalized, interpreted, and implemented in diverse contexts (Cheruiyot & Tarus, 2017; Kang & Moon, 2011; Visser, 2008; Chapple & Moon; 2005; Jamali & Karam, 2016). For instance, local contextual factors, such as socio-economic, political, legal, religious, and cultural attributes and issues are, suggested as fundamental factors that warrant consideration in designing CSR and CSRR frameworks and guidelines (Mahmood, Kouser, & Masood, 2019; Tilt, 2018). If such contextual factors and issues are overlooked, this raises questions regarding the relevance of CSR and CSRR frameworks for developing countries, given that these frameworks had been originally designed for developed countries (Cheruiyot & Tarus, 2017; Tilt, 2016). This study seeks to address the call for CSR and CSRR to be appropriately contextualized and it aims to develop a CSRR framework for Pakistan, given its unique socio-economic, religious and cultural context.

### **1.3 Pakistan as the Research Context**

Pakistan is an economically and politically struggling state since its independence in 1947 (Jan, 2010). It is the fifth most populous country in the world with a population of 220.8 million (Devrajani et al., 2021). Almost 39% of the population lives below the multidimensional poverty line (The National Disaster Consortium, 2019). Further, low literacy rates (58%)<sup>1</sup>, high unemployment (ranking 107/182)<sup>2</sup>, pollution and environmental degradation, labor issues, and energy crises are some of the major

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<sup>1</sup> Haq, R. (2017). Literacy rate in Pakistan slips by 2%. *The Express Tribune*. Retrieved from <https://tribune.com.pk/story/1419396/economic-survey-literacy-rate-pakistan-slips-2/>

<sup>2</sup> The Global Economy. (2020). *Unemployment rate - Country rankings*. Retrieved from [https://www.theglobaleconomy.com/rankings/Unemployment\\_rate/](https://www.theglobaleconomy.com/rankings/Unemployment_rate/)

problems faced in Pakistan (Ijaz, 2017; Talbot, 2012; Visser & Tolhurst, 2010; Yunis, 2012). Pakistan hosts the second largest refugee population in the world with almost 1.5 million registered Afghan refugees, a factor which intensifies the economic, social, and political pressure on Pakistan (Afridi, 2014; Ahmad, 2010; Anwar, Rafique, & Joiya, 2012; Khan, 2013; Mir, 2016).

Islamic teachings hold that the state or government is responsible for improving the well-being of its people (Chapra, 1979). Narrated by Abu Dawud in al-Tirmidhi, the Holy Prophet Muhammad (PBUH) said, “*The head of the state is the guardian of him, who has nobody to support him*”. Elaborating this Hadith, Maudoodi (1976) explains the role of the state as “*Wali*”- someone entrusted with the obligation to take care of people who need help and assistance. However, the Pakistani government has been unable to provide access to adequate basic services to its citizens due to corruption, lack of resources, and excessive spending on defense and security (Coffey, 2015; Yunis; 2013; Khan, 2007). As such, the role of the corporate sector to support the government in the nation’s socio-economic development becomes increasingly important (Bajoria, 2009). However, companies in Pakistan have fallen short in this regard. Instead, they have added to existing environmental and social challenges faced by the country (Huma, 2018; Lund-Thomsen, 2004). Instances of corporate malpractice abound: fire in a cloth factory in Karachi (2012) killing more than 300 laborers (Hoskins, 2015), contaminated products in Punjab (2016) causing 23 casualties (Vulliamy, 2016), and child labor issues in Sialkot (1998) are just some of the more notable incidents. Pakistan has become the second most polluted country in the world (Kabir, 2020) with the corporate sector being one of the major contributors to the growing level of pollution in the country (Mahmood et al., 2019; Mehdi, 2019). Similarly, consumption of toxic untreated water from factories has caused physical deformities in Punjab as about 90% of the factories discharge their untreated waste and water into nearby streams (The Express Tribune, 2018).

The rise in socio-environmental issues in Pakistan has raised stakeholders’ concerns about corporate behavior and increased demands for corporate accountability in Pakistan (PwC, 2018). In response, Pakistani companies have started to recognize their CSR and CSRR responsibilities towards their stakeholders. Some of the initiatives include the appointment of CSR committees in the leading corporations, the provision of CSR information in annual reports or/and CSRR, raising media awareness about CSR, etc. However, CSR and CSRR are still emerging concepts in Pakistan (Ahmad, Taiba, Kazmi,

& Ali, 2015; Kemp & Vinke, 2012). A review of the CSRR studies in Pakistan indicates that there is a lack of a comprehensive CSRR framework to guide CSR and CSRR practices in Pakistan. Further, previous CSRR studies have adopted CSRR indices constructed for developed countries to evaluate the CSRR practices in Pakistan (see, for example, Khan, Khan, & Senturk, 2019; Rustom, Wang, & Zameer, 2019; Khan, Khan, & Saeed, 2019; Lone, Ali, & Khan, 2016; Sharif & Rashid, 2014). This approach is problematic as the unique socio-political, religious, and cultural context of Pakistan is overlooked in the process. It is important to adopt a context-specific CSRR index to design and evaluate CSRR practices in Pakistan to ensure the applicability and relevance of the assessment. The context-specific CSRR framework will help the corporations to design and evaluate the effectiveness of their CSR initiatives in accordance with the local expectations. Moreover, the consultation to Islamic prescriptions in the CSRR framework will enable corporations to successfully implement CSR with more acceptance from society. Consequently, it will increase corporate accountability and transparency in Pakistan. The review of CSRR studies in Pakistan also indicates that researchers have tended to evaluate the extent or quantity of reporting, rather than the quality of CSRR in Pakistan. Finally, the bulk of CSRR studies have primarily focused on the determinants of CSRR, and the results are mixed and inconclusive<sup>3</sup>. These current gaps drive the focus and approach of this study: to develop and apply a context-specific CSRR framework to corporate practices in Pakistan.

#### **1.4 Research Objectives and Research Questions**

The overarching purpose of this study is to develop a CSRR framework for Pakistani corporations. The CSRR framework consists of several components including a CSRR index, guidelines for the implementation of CSRR, suggestions for the improvement of reporting practices, and methods to evaluate CSRR of Pakistani corporations.

The purpose of this study is captured by the following inter-related objectives:

1. To develop a CSRR disclosure index from the perspective of Pakistani stakeholders.
2. To evaluate the extent and quality of the CSRR practices of the Pakistani listed companies.

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<sup>3</sup> See for instance Lone et al. (2016) and Sharif and Rashid (2014) who reach different results in their respective examinations of the determinants of CSRR.

3. To examine the factors influencing the extent and quality of CSRR of the Pakistani listed companies.

The research questions of this thesis are presented as follows:

- What factors need to be considered in developing a CSRR index for Pakistan?  
This research question relates to research objective 1, which deals with the factors that need to be considered in developing a CSRR framework for Pakistan. The thesis draws from extant studies and theories that explain CSRR; and considers cultural, political, religious, and economic factors that are specific to Pakistan. It takes into account global reporting initiatives and other guidelines on CSR and CSRR.
- What are the Pakistani stakeholders' perspectives about CSR items that should be included in CSRR?  
This research question also relates to research objective 1 and considers Pakistani stakeholders' viewpoints in the construction of a CSRR index for Pakistan.
- What is the status of CSRR practices in Pakistan?  
This research question relates to research objective 2 and considers the evaluation of the current level and quality of CSRR in Pakistan based on the context-specific CSRR index.
- Which company-specific factors influence the level of CSRR disclosed by the Pakistani listed companies?  
This question addresses research objective 3 and investigates the influence of various company-specific factors on the extent and quality of CSRR practices of Pakistani listed companies.

## **1.5 Research Methodology and Methods**

Given the nature of the research objectives and research questions, the researcher has adopted the sequential mixed methods research approach and is influenced by pragmatism. Pragmatism, according to Denscombe (2008), serves as a philosophical partner for mixed-methods research. The research was carried out in three stages. In the first stage of the study, a stakeholders-based CSRR index was constructed using the quantitative and qualitative approaches simultaneously. This involved the construction of a preliminary CSRR index in accordance with the contextual issues of Pakistan and CSRR literature in the developed and developing countries. To incorporate the perspectives of

the Pakistani stakeholders, survey questionnaires and semi-structured interviews were conducted with fifty participants from eight different stakeholder groups including corporate managers, customers, religious clerics, investors, employees, auditors and accountants, government regulators, and academicians. In the second stage of the study, a qualitative content analysis technique was used to evaluate the extent and quality of CSRR practices in Pakistan. The annual reports of twenty-five firms listed on the KSE-30 index, spanning 2015-2019, were analyzed. Finally, the third stage of the study involved quantitative techniques including correlation and regression analysis to examine the influence of company specific factors on the CSRR practices in Pakistan.

In line with Denscombe (2008), the researcher finds a number of advantages in using a mixed-method approach: in particular, the findings of one method help to shape and complement the outcomes of the other and therefore enrich and strengthen the overall results. For instance, the semi-structured interviews allowed the researcher to elaborate, clarify, interpret and make sense of the findings of the survey questionnaires. Similarly, the interpretive analysis of the interviews and the content analysis of the annual reports helped in substantiating and interpreting the statistical results from the hypothesis testing. Moreover, the mixed-method research approach enabled the researcher to overcome and offset the weaknesses that are inherent in quantitative and qualitative approaches if only one of these approaches are exclusively used. Ultimately, the use of the mixed-method approach helped the researcher to provide an in-depth, more holistic, and better understanding of the CSRR practices in Pakistan.

A detailed discussion on the methodology and methods adopted in this thesis is presented in chapter 5.

### **1.5.1 Ethical Issues**

The data collection process involved semi-structured interviews with Pakistani stakeholders. Considering the nature of the research, the research was prone to certain ethical issues such as participants' social and cultural sensitivities, religious affiliations, and employer-employee relations. To minimize these issues, the researcher followed an ethical research protocol during-and-after the interview stage. The protocol included the use of unloaded and unbiased interview questions, respecting the socio-political, religious, and cultural orientations of the participants, and keeping the identity of the participants

anonymous. The data collection process started after the approval of the research ethics application by the Ethics Committee of the Waikato Management School.

## **1.6 Theoretical Framework**

CSRR researchers have used a range of theories such as stakeholder theory, legitimacy theory, institutional theory, signaling theory, and agency theory to explain CSR and CSRR practices (Hunjra, Boubaker, Arunachalam, Mehmood, 2021; Davey et al., 2019; Nair & Bhattacharya, 2019; Fernando & Lawrence, 2014; Omran & Ramdhony, 2015; Rao & Tilt, 2016; Reverte, 2009; Roberts, 1992). Literature suggests that no single theory adequately explains CSR and CSRR in different geographical contexts (Deegan, 2002; Gray, Kouhy, & Lavers, 1995b; Omran & Ramdhony, 2015). Because these theories share common characteristics (An, Davey, & Eggleton, 2011; Chen & Roberts, 2010) and the integration of the theories in a framework can offer complementary insights about CSR and CSRR (Frynas & Yamahaki, 2016), the current study adopts a multi-theoretical perspective including agency, stakeholder, legitimacy, signaling, and institutional theories to explain and interpret CSRR practices in Pakistan.

The interrelated concepts of these theories form the integrated theoretical framework for this study. The theoretical framework proposes that CSRR serves four main purposes: reducing information asymmetry, discharging accountability, gaining legitimacy, and signaling legitimacy (discussed in chapter 4). The integrated theoretical framework guided the researcher in developing a stakeholders-based CSRR framework. It also helped to underpin the discussion on the motives of CSRR, and to explain the determinants of CSRR practices in Pakistan (discussed in chapters 6, 7, 8, and 9).

## **1.7 Contribution of the Study**

This section discusses the practical, theoretical, and methodological contributions of the research. The knowledge gained from this study can prove beneficial to both CSRR practitioners and academicians.

This research contributes to the field of CSRR by developing a context-specific CSRR framework to guide CSRR practices in Pakistan. To the best of the researcher's knowledge, currently, no such framework exists. As discussed earlier, CSR and CSRR are context-driven concepts (Jamali & Karam, 2016; Visser, 2008; Matten & Moon, 2005). Ignoring contextual issues and factors can cause subsequent complications to

develop and successfully implement CSR and CSRR agendas in developing countries (Cheruiyot & Tarus, 2017; Tilt, 2016). The CSRR framework developed here allows for an understanding of the key CSR issues and highlights the relevant actions needed to address these issues in Pakistan. The CSRR framework developed in this study is expected to motivate Pakistani corporations to adopt CSRR practices and to assist regulatory authorities to make policies for CSRR implementation.

This study contributes to the extant literature by suggesting a systematic method and approach to construct a CSRR index and to evaluate CSRR practices. The majority of studies to date on developing countries have adopted GRI indicators and CSRR indices from developed countries. In contrast, this study makes a novel contribution by developing a stakeholders' based CSRR index with consideration to the socio-economic, religious, and political factors of Pakistan. The approach developed in this study includes the techniques and procedures to construct and assign weights to the CSRR index and the development and implementation of criteria to evaluate the extent and quality of CSRR practices. In this way, the current study offers a systematic extended method and approach that might prove beneficial for future CSRR research.

The study also contributes to Islamic scholarship on CSRR by highlighting the implications of CSRR practices in a predominantly Islamic context. Previous studies in this area (for instance, Zafar & Sulaiman, 2021; Elasarag, 2015; Williams & Zinkin, 2010; Dusuki, 2008) have mainly focused on abstract, non-empirical arguments derived from the Quran, Hadiths, and other Islamic teachings to support Islamic orientation towards CSRR. In comparison, this study undertakes empirical research on Islamic associations with CSRR in three ways. First, Islamic scholars and clergies are the primary stakeholders consulted for the development of this study's CSRR index for Pakistan. Second, Islamic principles including Zakat, halal operations, prayer breaks etc. form a crucial group of CSRR items in the CSRR index. Finally, the Islamic principles play a key role in the content analysis and scoring of the CSRR performance of Pakistani corporations, which affected the evaluation of the companies as well as the findings of the hypothesis testing.

Another important contribution of this study is the application of a multi-theoretical perspective to understand and determine whether the Western ideology of CSRR or Pakistan's contextual factors, such as religion and culture, explain the CSRR practices at hand. In line with the stakeholders' expectations and Islamic teachings, CSR and CSRR in an Islamic country are expected to be driven by the concepts of benevolence,

brotherhood or *Akhuwat*. However, the empirical findings analyzed under the integrative theoretical framework suggest that CSRR in Pakistan is more of an instrumental concept that is used as an impression management tool for greenwashing and window-dressing purposes. Hence, it can be argued that as a former British colony, capitalism rather than religious prescriptions and contextual factors has a greater influence on the Pakistani society, specifically, over the business affairs in Pakistan. Nonetheless, it is still vital to recognize the key role Islamic teachings and prescriptions could play to achieve the core objectives of CSR and CSRR in Pakistan. Furthermore, the integrative theoretical framework also needs to incorporate Islamic theories and concepts of CSRR (such as benevolence, brotherhood, and *akhuwat* etc.) to enrich the explanation of CSRR in an Islamic dominant context.

Finally, the study contributes to CSRR literature in Pakistan by examining both the extent and quality of CSRR. Previously, studies have used an unweighted approach to evaluate only the extent of CSRR practices (see, for instance, Khan et al., 2019; Bae, Masud, & Kim, 2018; Majid, Aziz, & Saleem, 2015). This study develops and applies a quality criterion rather than assigning binary codes to assess the quality of CSRR. In this way, the study provides several suggestions for the improvement of CSRR quality to meet the information expectations of stakeholders.

## **1.8 Limitations of the Study**

While the study contributes to the CSRR research and practices, it is subject to certain limitations. Firstly, only 50 stakeholders relating to eight stakeholder groups were consulted in this study. Although this number may be considered low, the participants in this study are experts in their fields and provided deep insights into the understanding of CSR and CSRR in Pakistan. Secondly, the researcher focused on annual reports for content analysis. Other sources such as corporate websites, archival documents, memos, internal communication, and newspaper articles may offer alternative insights into, and understandings of, CSR and CSRR in Pakistan. The restricted nature of some of these sources (such as archival documents and internal communication) and the overall lack of electronic records made it difficult to access and retrieve data from those sources, which is one of the shortcomings of this study.

## 1.9 Structure of the Thesis

The summary of each chapter is presented below.

**Chapter 1: Overview of the Thesis.** This chapter introduces the research topic and provides an overview of the background of the study. It discusses the purpose and objectives of the research, the significance of the study, its methodology, the outline of the thesis, and the scope and limitations of the study.

**Chapter 2: The Research Context of the Thesis: Pakistan.** This chapter provides a detailed account of the socio-economic conditions and prevailing issues in Pakistan. It discusses various initiatives that have been taken regarding CSRR in Pakistan and provides a brief account of the current CSRR practices in Pakistan.

**Chapter 3: Literature Review** This chapter provides a detailed discussion of prior literature on CSRR in both developed and developing countries, with a focus on the research indices and methods adopted. Special consideration is given to CSRR studies in Pakistan and limitations in the CSRR literature in Pakistan are identified.

**Chapter 4: Theoretical Framework.** This chapter presents various theories applicable to CSRR. A thorough discussion of the theories, the nexus between those theories, and the theoretical framework used by the researcher to interpret the findings of the study is presented in the chapter.

**Chapter 5: Research Methodology and Methods.** This chapter includes a discussion on the philosophical assumptions underpinning the research and the research methodology adopted in the study. A discussion on the research paradigms and justifications of the methods used is provided. A mixed-method approach was used in the investigation, which combined both quantitative and qualitative methods. This chapter explains the selection of stakeholders for interviews and describes the data collection and analysis of annual reports stages. Finally, it presents a discussion on the procedures adopted in the construction of the CSRR index and the scoring criteria of various items in the disclosure index.

**Chapter 6: Construction of the CSRR Index.** This chapter explains the construction of the CSRR index based on the Pakistani stakeholders' perspectives. The chapter is divided into four sections: the selection of disclosure items, the

development of criterion for weighting the items, how the extent and quality criteria for content analysis were developed, and the pilot tests conducted before the evaluation of CSRR in the annual reports of the sample firms.

**Chapter 7: Evaluation of the Extent and Quality of CSRR in Pakistan.** This chapter presents the findings of the content analysis of the annual reports. The chapter uses the CSRR index constructed in Chapter 6 to evaluate the extent and quality of CSRR in Pakistan. It focuses on several aspects, including the item by item, dimension, and industry-wise analysis of the extent and quality of CSRR in Pakistan.

**Chapter 8: Analysis of the Factors Influencing the Extent and Quality of CSRR in Pakistan.** This section provides a detailed investigation of the company-specific factors influencing CSRR practices in Pakistan. The application of various quantitative methods including correlation and regression analysis is discussed, and the findings are interpreted.

**Chapter 9: Theoretical Interpretations of the Findings.** This chapter discusses the findings of the study presented in Chapters 6, 7, and 8 in light of the theoretical framework developed in Chapter 4. It outlines the implications of the theories in the integrated theoretical framework for the CSRR practices in Pakistan and explains the core concepts emerging from the CSRR practices in Pakistan.

**Chapter 10: Summary and Conclusion.** This chapter summarizes the thesis and discusses how the purpose and objectives of the research were achieved. It discusses the theoretical, methodological, and practical contributions, including the implications for different stakeholders like investors, employees, NGOs, and customers. The chapter presents several recommendations to regulators and policymakers for the implementation of the CSRR framework.

## **1.10 Conclusion**

This chapter established the foundation of the thesis and outlines the background, research objectives, methodology and methods, and contributions of the study. The developments in CSR and CSRR have been mainly dominated by ideas emerging from developed countries. CSRR in developing countries such as Pakistan is influenced by Western concepts and, accordingly, researchers have applied CSRR frameworks constructed in developed countries to countries that are still developing economies.

However, it is argued that since CSR and CSRR are context-specific practices, the CSRR framework should incorporate the socio-economic, political, religious, and cultural attributes and contextual issues of the country. The unique socio-political, religious, and cultural settings of Pakistan, the scarcity of CSRR research, and the lack of a context-specific stakeholders' based CSRR framework in Pakistan provide the impetus for this research. To develop a context-specific CSRR framework, the study adopts a sequential mixed method approach influenced by pragmatism. It uses an integrated theoretical framework to interpret the findings of the study. The study has theoretical, methodological, and empirical contributions to the CSRR literature, which will be further detailed in the final chapter. The findings of the study have implications for regulators and standard setters, corporate management, and other key stakeholders, which will also be discussed in the final chapter.

The next chapter presents a detailed account of the research context, Pakistan.

## Chapter Two

### The Research Context of the thesis: Pakistan

#### 2.1 Introduction

CSR is a context-specific concept (Jamali & Karam, 2016; Cheruiyot & Tarus, 2016) that should be operationalized, interpreted, and implemented differently in diverse contexts (Cheruiyot & Tarus, 2017; Visser, 2008; Chapple & Moon, 2005). Although the socio-environmental and political issues of each country vary in nature and intensity (UN, 2013), the majority of studies on developing countries employ CSR and CSRR frameworks from developed countries without incorporating the local contextual factors of the developing countries, such as socio-economic, political, legal, religious, and cultural attributes and issues (Tilt, 2018). The failure to give due consideration to these local contexts compromises the likelihood of successfully implementing CSR and CSRR agendas in developing countries (Cheruiyot & Tarus, 2017; Tilt, 2016). Indeed, not only does this study set out to consider the local contextual issues of Pakistan in its development of a CSRR framework, it uses these issues to guide the formulation of this framework.

Like other developing countries, Pakistan is grappling with a range of crises including political intolerance and insurgency, high growth in population, economic difficulties, corruption, poverty and unemployment, an energy crisis, climate change, and environmental degradation. This chapter presents an in-depth discussion of the issues that relate specifically to Pakistan, which facilitates the identification of CSR areas that need corporate attention. An understanding of these issues also helps with identifying CSRR categories/dimensions and items that the corporate sector in Pakistan should disclose in their CSRR reports to ensure transparency and accountability towards their stakeholders.

The chapter is organized as follows. Section 2.2 presents the historical and geopolitical settings of Pakistan, highlighting the instability and geopolitical unrest in the country. The social and environmental issues that form the basis for the construction of the CSRR index are presented in section 2.3. In section 2.4, the role of Islam in Pakistani society, and its implications for CSR and CSRR in Pakistan, are discussed. The legislative underpinnings for various CSRR dimensions are discussed in section 2.5. Section 2.6 summarizes the CSRR dimensions and CSRR items identified from the country-specific issues. Finally, section 2.7 concludes Chapter 2.

## 2.2 Historical and Geopolitical Settings in Pakistan

Before the partition of the Indo-Pakistan subcontinent, Muslims and Hindus lived together under the British Empire (Khan, 2017). Their prominent differences in religious beliefs, culture, dietary habits, and festivities (Baxter, 2018; Burki, 1999; Shukla, 2018) precluded Muslims and Hindus from existing as a single identity in the Indian subcontinent (Baxter, 2018). Pakistan emerged as a separate homeland for the Muslim majority of the Indian subcontinent on 14 August 1947 (Burki, 1999). The landmass of Pakistan covers an area of 796,095 sq. kilometers (The World Factbook, 2018) and the estimated population is 220.8 million (Devrajani et al., 2021). About 96% of the population in Pakistan practice Islam (Pakistan Bureau of Statistics, 2018a). Pakistani people are divided into six major ethnic groups, including Punjabi (44.7%), Pashtun (15.4%), Sindhi (14.1%), Saraiki (8.4%), Muhajir (7.6%), Balochi (3.6%), and others (6.2%) (Misachi, 2018).

Geographically, Pakistan's neighbours include India, Iran, China, and Afghanistan (Ziring & Burki, 2020). Pakistan has close political, strategic, and economic relations with China (Ibrar, Mi, & Rafiq, 2016). Pakistan links China to the Middle East, Central Asia, and the South Asian region, and it provides China direct access to the Indian Ocean (Abid & Ashfaq, 2015). This geographical location makes Pakistan an important destination for Chinese investment (Guoyou, 2013). China and Pakistan have agreed on the China-Pakistan Economic Corridor (CPEC), a USD 62 billion Chinese investment plan in the energy, infrastructure, industrial and agricultural sectors of Pakistan (Siddiqui, 2017; Wolf, 2020). The government of Pakistan believes that CPEC is a “*game-changer*” project (Wolf, 2016) that will consolidate cordial relations between Pakistan and China.

Over the years, Pakistan's relations with its other neighboring countries have been unstable (CIDOB, 2012). Pakistan's relationship with India has been dominated by rivalry (Paul, 2005, 2006), with the issue of Kashmir causing three wars between the two nuclear powers since independence (CIDOB, 2012; Sathasivam, 2017). The conflict between the Shia and Sunni populations, in addition to cross-border illegal infiltrations, has hampered relations between Pakistan and Iran. Although relations with Afghanistan have been close due to cultural and religious ties (CIDOB, 2012; Mairaj-ul-Hamid, 2017), disputes over the Durand Line, the Soviet invasion of Afghanistan, and the post 9/11 war on terror have caused economic instability and political turmoil between the two countries.

As previously noted, Pakistan hosts the second largest refugee population in the world, with almost 1.5 million registered Afghan refugees placing a strain on Pakistan's already struggling system (Afridi, 2014; Ahmad, 2010; Anwar, Rafique, & Joiya, 2012; Khan, 2013; Mir, 2016). The multiple geopolitical tensions that Pakistan must contend with compel a significant portion of its economic resources<sup>4</sup> to be diverted from socio-economic development projects to defense and security (Yunis; 2013; Anwar et al., 2012).

In light of the political instability and insurgence in Pakistan, the government has somehow failed to effectively deal with socio-economic issues such as poverty, unemployment, income inequality, child labor, etc. In such a case, the role of corporations to provide a level of support to the government in the country's socio-economic development becomes increasingly important (Bajoria, 2009). However, Pakistani corporations exacerbate the challenges that the government must grapple with, particularly concerning socio-economic and environmental issues (Huma, 2018; Lund-Thomsen, 2004). Some reasons for such corporate negligence could be the government's failure to implement laws and regulations, corruption, and a strong influence of capitalism on the corporate sector to generate more profits without adequate concerns for the society and environment. Although corporations might not completely eradicate the socio-economic issues in Pakistan, however, they could play their role to assist the government in mitigating these issues.

It is critical to develop a solid understanding of the contextual socio-economic and environmental issues before an attempt is made to develop a CSRR framework that aims to guide CSR and CSRR practices in Pakistan. The next section provides a detailed discussion of the core socio-environmental issues with which Pakistan is currently grappling.

### **2.3 Social and Environmental Issues in Pakistan**

As mentioned earlier, Pakistan faces several daunting challenges including economic instability, social upheaval, insurgency and terrorism, lack of educational and health infrastructure, massive corruption, high unemployment, power crisis, environmental degradation, and climate change. These issues distinguish Pakistan from the type of socio-environmental issues that prevail in the developed (Yunis, 2012). For instance, apart from

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<sup>4</sup> On average, about 4.5 % of the GDP was spent on defence from 1995-2009.

the global issue of climate change, the aforementioned issues are rarely reported with respect to developed countries in recent years. As already argued, the local issues that shape the socio-economic and political climate of Pakistan warrant attention and must be given due consideration if the implementation of a CSRR framework is to have any chance of success in this unique and highly charged context (as also cited in Yunis, 2012; Belal & Momin, 2009; Chapple & Moon, 2005; Kimber & Lipton, 2005; Visser, 2007).

### 2.3.1 Poverty

Poverty is a fundamental issue in Pakistan and almost 39% of the population in Pakistan live below the multidimensional poverty line (The National Disaster Consortium, 2019; UNDP, 2016). One of the main reasons for poverty in Pakistan is the rapidly growing population<sup>5</sup> (Arif, 2013), which puts pressure on the economic growth and development of the country. The government of Pakistan has initiated several poverty alleviation projects, such as the Benazir Income Support Program, the National Poverty Graduation Program, Ehsaas Program, and Watan Card scheme (The Express Tribune, 2021; The Nation, 2013; The World Bank, 2015). However, these projects failed to mitigate poverty due to insufficient resources (Yunis, 2012), mismanagement, and corruption (Shahzad, 2011). Poverty in the rural areas of Pakistan (63% of the population) is a particular challenge, as these areas are largely overlooked by the government in its implementation of health, education, and infrastructure development programs (Easterly, 2001; Irfan & Ijaz, 2011; Siddique, 2012).

Pakistani corporations provide a level of support for the government in poverty alleviation<sup>6</sup> and they invest in community development programs<sup>7</sup> (Jhatial, Cornelius, & Wallace, 2014). However, despite the efforts of the Pakistani corporations, poverty is increasing in Pakistan. Moreover, poverty leads to other issues such as food insecurity (Cheema & Abbas, 2016; Talpur, 2016), ill-health (Aftab, Hamid, & Prevez, 2002; Usmani, 2016), and illiteracy (Pirzado, 2006). As the root cause of other social issues, poverty alleviation needs to be the primary agenda of CSR programs in Pakistan. The CSRR index developed in this study considers “*Community*” as one of the main CSRR

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<sup>5</sup> Arshad and Ali (2017) report a growth rate of 2% per year in the Pakistani population.

<sup>6</sup> One such contribution is in the form of “*Zakat*”, as reported by Ahmad (2004). This private philanthropy amounts to over 70 billion rupees per year, equalling to about one-tenth of the government’s budget.

<sup>7</sup> For instance, PSO supports a national NGO, Behbud Association, in the field of maternity health, community development, vocational and technical training, and education. Engro Corporation has adopted 19 government schools and manages Sahara Community School in collaboration with a local NGO.

dimensions and incorporates several community related social support activities (such as skill development projects, vocational training, internship, and scholarship opportunities) to assist the government in mitigating poverty in the country. Further, to ensure their accountability, transparency, and survival in society, the Pakistani corporations should also disclose their poverty alleviation projects carried out in the community.

### **2.3.2 Unemployment & Labor Issues**

Pakistan faces a high unemployment rate and ranks 107 out of 182 countries in terms of unemployment (The Global Economy, 2020). A lack of job opportunities (Rasool, 2011), overpopulation (Cheema & Atta, 2014; Mahmood et al., 2014), and underinvestment in the education sector<sup>8</sup> (Qayyum & Siddiqui, 2007) are some of the key reasons for Pakistan's high unemployment rates. Unemployment in Pakistan is also high as only one-fifth of the female population<sup>9</sup> participate in the labor force (Talbot, 2012; UNDP, 2017), which hampers the socio-economic development of the country (Coleman, 2004).

In addition to unemployment, the Pakistani corporate sector grapples with a range of workplace challenges (Ghayur, 1996). The lack of basic health and safety measures in workplaces is one major issue. According to Abbas (2015), the number of reported occupational health and safety incidents has significantly increased in Pakistan, owing to poor health and safety arrangements, non-compliance with labor laws, and lack of proper work-related knowledge/training. For example, more than 300 laborers lost their lives when a fire ravaged a textiles factory in Karachi. Inadequate health and safety measures meant that the factory, in which approximately 3000 people worked, only had one exit (Hoskins, 2015; Shackle, 2012). Other forms of worker exploitations, such as long working hours, poor remuneration (Dawn News, 2016a; Ghayur, 1996), and child labor (Dawn News, 2016a; US Department of Labor, 2016), are considered standard practice in the Pakistani corporate sector. Given Pakistan's record for labor and employee exploitations, the CSRR index developed in this study proposes "*Employees*" as a distinctive CSRR dimension and identifies the CSRR items that need to be disclosed in the CSRR. The employee-related CSRR items serve as a guide for corporations in their

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<sup>8</sup> Education accounts for only 2.3% of the GDP in the government budget. Such a low investment on education leads to low literacy rates (58%) causing high unemployment levels.

<sup>9</sup> Women constitute 49% of the total Pakistani population (Pakistan Bureau of Statistics, 2018b). The *Population census* can be accessed via: <http://www.pbscensus.gov.pk/>

employee-specific CSR programs to mitigate employee and labor issues in the country and to promote their corporate accountability and transparency to their stakeholders.

### **2.3.3 Environmental Degradation**

Pakistan is facing serious environmental challenges in the form of pollution, deforestation, a shortage of clean drinking water, and climate change, all of which pose a threat to human life (Huma, 2018, Rasool & Ogunbode, 2015). Pakistan ranks 142 out of 180 countries on the Environmental Performance Index (Yale, 2020). One of the main reasons for environmental degradation in Pakistan is the low level of planning and subsequent control for industrial growth (Naqvi, 2013; United Nations Environment Programme, 2013). Most industries in Pakistan operate in urban areas (Daud et al., 2017), often with outdated technology and the absence of waste treatment plants (Murtaza & Zia, 2012) that adversely affect the environment. The game-changer project, CPEC, which predominantly uses coal-based power plants, is also likely to cause severe environmental issues (Balouch, 2018; Daily Times, 2017; Kugelman, 2017). For example, the Sindh Tharparker coal-based CPEC projects have seriously damaged the environment and forced the displacement of local communities (World Economic Forum, 2018). These projects also require a large amount of water, which adds to the prevailing water shortage in the country (Kugelman, 2017).

The corporate sector in Pakistan adds to environmental pollution in the form of untreated water and waste disposals, and a high emission of air particulates (Mahmood et al., 2019; Mehdi, 2019; Yunis, 2012). Only 1% of urban wastewater is treated, while the remaining water with toxic chemicals, lead, and other heavy metals flow directly into rivers and streams (United Nations Environment Programme, 2013). This contaminated water is used for human consumption and is causing endemic diseases such as diarrhea, typhoid, and serious physical deformities (AFP, 2018). Statistical data indicate that one-third of child mortalities (Masood, Batool, & Farooqi, 2021; Janjua, 2014) and about 22,000 premature annual deaths in Pakistan are caused by the polluted environment (Colbeck, Nasir, & Ali, 2010; Sánchez-Triana, Afzal, Biller, & Malik, 2013). Moreover, almost 60 million people are at risk of arsenic poisoning due to industrial water contamination (AFP, 2018). Despite environmental protection acts being established, such as the Pakistan Environment Protection Act (1997), corporate commitment towards environmental responsibility is unsatisfactory primarily because there is a lack of legal enforcement

(United Nations Environment Programme, 2013). Environmental degradation is estimated to cost Pakistan at least 6% of the GDP, which is almost Rs. 365 billion per year (Farooqi & Fatimah, 2010; United Nations Environment Programme, 2013).

This study therefore identifies “*Environment*” as a major CSRR dimension in the CSRR index. The CSRR index includes several CSRR items which are related to the environment in an attempt to guide corporate environmental policies and to evaluate practices that promote corporate environmental accountability in Pakistan.

#### **2.3.4 Power Shortage/Energy Crisis**

The shortage of power is another serious issue in Pakistan (Abbas, 2015), leading to low industrial production in the country (Sajjad & Eweje, 2014). Power shortage causes approximately a 2% decline in the GDP annually through lower outputs, exports, and employment (Aziz & Ahmad, 2015). Statistical data from the National Energy Conservation Centre Pakistan indicate that corporate and industrial sectors consume about 43% of the total energy produced in the country. However, many industries have shifted their operations to neighboring countries due to insufficient energy produced in the country (Sajjad & Eweje, 2014; The Express Tribune, 2011). Indeed, the shortage of power has caused many businesses to cease their operations as a consequence (Mirza, 2017). Owing to the escalating costs of electricity, producers and consumers have faced a number of crises. Producers and consumers face a crisis due to the high cost of production. The textile industry alone suffered a loss of USD 1.2 billion in exports in 2014 as electricity prices increased by 52% due to an energy shortfall in the country (Dawn, 2014).

In recognition of the importance of energy conservation for the economic growth of the country, this study includes several energy-related CSRR items in the “*Energy*” dimension of the CSRR index it formulates. The inclusion of energy-related CSRR items serves as a basis for corporations to improve their energy conservation practices and ultimately alleviate the energy crisis in Pakistan. Moreover, the CSRR items would be used to evaluate corporate energy conservation practices disclosed in their CSRR reports.

#### **2.3.5 Product-related Issues**

Among other corporate issues, consumer rights violations are also increasing in Pakistan (Ahmad, 2006). The number of companies producing unhealthy, unsafe, and low-quality products has been increasing over time (Dawn, 2017; Hassan, 2018; Shadman, 2017),

sometimes with fatal consequences. In an incident reported in 2012, for example, toxic cough syrup killed 16 people in Punjab (AFP, 2012), and another 23 individuals died in Punjab in 2016 as a result of contaminated food (Vulliamy, 2016). Other forms of consumer rights violations, which are commonplace in Pakistan, include deceptive advertisements and misrepresented product features (Ahmad, 2006; Hasan & Subhani, 2011).

Several NGOs and consumer protection groups, such as the Consumer Rights Commission of Pakistan (CRCP) and The Network are advocating consumer rights in Pakistan (Consumers International, 2018; Khan & Aftab, 2000; The Nation, 2014). However, administrative and bureaucratic incompetence, weak enforcement mechanisms, and an overburdened judicial system have compromised progress in this area (Khan & Aftab, 2000). Despite ongoing administrative and bureaucratic difficulties, product-related CSRR items need to be included in the CSRR index to highlight the importance of this CSRR dimension in Pakistan. The inclusion of consumer- and product-related CSRR items are a starting point to design product strategies and to evaluate corporate accountability towards consumers and other stakeholders.

Overall, Pakistan faces a range of fundamental issues such as poverty, a growing population, illiteracy, weak health facilities, energy crisis, pollution and environmental degradation, health and education, and unemployment and labor issues (Talbot, 2012; Visser & Tolhurst, 2010; Yunis, 2012). These ongoing socio-environmental problems require active corporate attention as the government has been unable to manage them effectively (Yunis, 2012). However, the corporate and industrial sectors have swung the other way by further contributing to the prevailing challenges faced by the country. As Ali (2014) notes, this has led to a growing demand for accountability and transparency in corporate practices in Pakistan.

The socio-environmental issues discussed in this section help to identify the main categories or dimensions of CSR and CSRR that need immediate corporate attention in Pakistan. In this way, the contextual socio-environmental issues provide the foundation for the development of the CSRR index developed in this thesis. A CSRR index that is developed with respect to the local issues in Pakistan has a greater likelihood of achieving success in its implementation. This is because the index is responsive to, and designed for, the realities of corporate practices in Pakistan. That is, the CSRR index developed in

this study is designed to serve as a guide for Pakistani corporations to design their CSR and CSRR policies, and to play their role effectively in the eradication of the issues pertinent to Pakistan. Equally, a properly contextualized CSRR index serves as a relevant tool to evaluate the accountability and transparency of Pakistani corporations.

## **2.4 Islam in Pakistan and its Implications for CSR and CSRR**

In addition to the socio-environmental issues discussed thus far, another important contextual factor to consider, with respect to CSR and CSRR practices in Pakistan, is the influence of the religion Islam. As previously noted, Islam has a strong influence on most aspects of Pakistani society<sup>10</sup> (El Azayem & Hedayat-Diba, 1994; Elasrag, 2015), including business operations (Harrison, 2013; Uddin, 2003). The Islamic sacred law, “Sharia” plays a key role in the political, economic, and social affairs of Pakistan. The 1973 Constitution of Pakistan is one of the most Sharia-influenced constitutions (Ahmed & Gouda, 2015; Khan & Aftab, 2000; Zoli & Schneider, 2014) in the world, an indication of the dominance of Islam in Pakistan. The government of Pakistan has established several Islamic institutions, which, among other functions and objectives, ensure fair and transparent business activities in the country. The Council of Islamic ideology created in 1980 is responsible for the Islamization of laws in Pakistan. The Federal Shariah Court (FSC) deals with the laws that are repugnant to the teachings of the Quran and Sunnah. FSC also conducts trials against non-Islamic business practices, such as cases that involve riba (interest), non-halal business operations, and compliance to Companies Ordinance 1984 (Cheema, 2013).

Islamic prescriptions provide clear directives on one’s social and environmental responsibilities<sup>11</sup> (Al-Quran 20:6; Brammer et al., 2007; Elasrag, 2015; Julia, Rahman, & Kassim, 2016; Mir, Hassan, & Hassan, 2005). However, in Pakistan’s corporate sector, it is evident that Islamic teachings and moral values take a secondary priority (Husain, 2004) to the pursuit of profits. Moreover, the inherent lack of government and bureaucratic will to implement Islamic prescriptions (Khan & Aftab, 2000) maintains a system that is influenced by capitalism. Indeed, Husain (2004) asserts that Islamic teachings and

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<sup>10</sup> About 92% of the total population is identified as religious (Nag, 2018), which makes Pakistan the fifth most religious country in the world (Trimble, 2018).

<sup>11</sup> For instance, environmental protection, labor rights (fair and just hiring and promotion policies, equal employment opportunities) and consumer rights (fair pricing, quality and quantity disclosure) are discussed on a number of occasions in Al-Quran and Hadiths.

practices, if adopted in their true form, would ensure equal income distribution, alleviate poverty, and mitigate other social and environmental issues. Arguably, Islamic teachings potentially have an overarching role in the mitigation of socio-environmental issues in a highly religious country like Pakistan, and it is for this reason that Islamic prescriptions have been given special consideration in this thesis. This is realized in two ways. First, Islamic prescriptions, including Al-Quran and Hadiths, have been referred to identify certain CSRR items such as Halal production, Zakat, etc. in the CSRR index (see Chapter 6). Second, Islamic scholars have been consulted to modify the CSRR index, assign weights to the CSRR items, and most importantly, gain the theological underpinnings of CSR and CSRR. Finally, Islamic teachings have been used to discuss and interpret the findings of the study (see Chapters 6, 7, 8, and 9). As Islam is a social norm in Pakistan, it is believed that the inclusion of Islamic concepts in CSR would help corporations to gain social acceptance and stakeholders support. Moreover, a CSRR framework developed in consideration of Islamic prescriptions increases the chances of the implementation of the CSRR framework that would ultimately improve the CSR and CSRR practices in a religiously dominant country such as Pakistan.

## **2.5 Legislation Incorporating CSR and CSRR in Pakistan**

The legal framework in Pakistan covers various aspects of CSR, such as labor rights, consumer protection, corruption, and the environment (Ali, 2014). The main legislation in Pakistan, the 1973 Constitution of Pakistan, includes certain provisions to oversee business operations, such as the prohibition of child labor<sup>12</sup> and gender discrimination<sup>13</sup>, and ensuring safe working conditions for employees<sup>14</sup> (Ahmed & Ahmed, 2011; Ali, 2014; ILO, 2004; National Assembly of Pakistan, 2012). Alongside the Constitution of Pakistan, several laws and acts regulate corporate and business affairs in Pakistan. For instance, labor rights are protected under the Factories Act 1934, and the Employment of Children Act 1991 (Ahmed & Ahmed, 2011; ILO, 2004). The Price Control Act 1977 and Islamabad Consumer Protection Act 1995 regulate consumer rights (Ali, 2014; Bukhari, 1995), while the environment is governed under the Pakistan Environmental Protection Act 1997 (Khan & Hafeez, 1999).

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<sup>12</sup> Article 11 of the Constitution of Pakistan.

<sup>13</sup> Article 25(2) of the Constitution of Pakistan.

<sup>14</sup> Article 37 (e) of the Constitution of Pakistan.

With respect to corporate reporting, the regulatory framework emphasizes financial reporting and pays very little attention to CSRR (Ali, 2014). CSRR in Pakistan is voluntary and no legal framework exists to enforce and oversee CSRR (Ahmed & Ahmed, 2011; Lone et al., 2016; Sharif & Rashid, 2014). However, the Securities and Exchange Commission of Pakistan (SECP) has issued the Companies (Corporate Social Responsibility) General Order, 2009 that requires corporations to disclose their CSR activities in their annual reports (Ali, 2014). Similarly, the SECP has also published Corporate Social Responsibility Voluntary Guidelines 2013 which aims to promote corporate accountability and transparency. These guidelines propose that companies include CSR policies in their business strategies and establish CSR committees to implement and report on their CSR projects. Moreover, the guidelines expect companies to disseminate CSR information in their annual reports, on their websites, and in other sources of communication with their stakeholders (SECP, 2013). However, the SECP's guidelines are generic and do not specify which CSRR dimensions or items should be disclosed in a company's CSRR report (Ali, 2014). The lack of a comprehensive CSRR framework reinforces the need for a context-specific CSRR framework that both guides CSR and CSRR practices and indicates which CSRR items should be disclosed in a company's CSRR report. The existing legislation<sup>15</sup> and SECP's CSR Voluntary Guidelines 2013 contributes to a more holistic understanding of the rights of consumers, employees, laborers, and other stakeholders in society, and enables other relevant CSRR items to be identified for the formulation of this study's CSRR index.

## **2.6 Pakistani Issues and the CSRR Framework**

As previously discussed, an understanding of the contextual issues of, and religious climate in, Pakistan is imperative for several reasons. First, the prevailing socio-environmental issues highlight the need for serious and improved CSR in Pakistan, as CSR in its current form appears to have done little to mitigate the ever-growing issues in Pakistan. Second, it highlights the importance of a contextual CSRR framework to guide CSR practices and to evaluate the CSRR of Pakistani corporations. Currently, a comprehensive CSRR framework that provides specific indicators, or which identifies which CSRR items should be disclosed in the annual reports of Pakistani corporations, is lacking -- a gap this thesis seeks to address. Third, the contextual issues serve as a basis

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<sup>15</sup> In particular, the Factories Act 1934, the Price Control Act 1977, the Islamabad Consumer Protection Act 1995, and the Pakistan Environmental Protection Act 1997.

for the construction of the CSRR index, as they point to the five main categories of CSRR (i.e. community, environment, employee, energy, and product) which are pertinent to the Pakistani corporate context. Finally, the exploration of Pakistan’s socio-environmental issues and dominant religious teachings have shed light on which CSRR items need corporate attention to ensure accountability and transparency towards stakeholders. Of course, the identification of these CSRR items needs to be modified in line with the CSRR literature, expert opinions, and stakeholder consultations (discussed in Chapters 3 and 6). Table 2.1 presents a summary of the CSRR dimensions and preliminary CSRR items that have been drawn identified thus far, owing to an examination of Pakistan-specific socio-environmental issues, contextual factors, and existing CSR regulations.

**Table 2.1: Pakistani Issues and List of CSRR Items Identified**

<b>CSR issue/contextual factor</b>	<b>CSRR items</b>
Poverty/ Community	Charity programs, dispensaries and hospitals, schools, clean drinking water facilities, skill development projects, vocational training, internship programs, and scholarships to needy students.
Employee	Equal Employment opportunities, Qarz e Hassana, number of female employees, employee training and skill development programs, workplace health and safety, safety workshops, number of workplace accidents.
Environment	Effluent treatment plants, installations of water reduction technologies, reduction in air particulates, information about CO <sub>2</sub> and other emissions, compliance with environmental laws, tree plantation, anti-litter campaigns.
Energy	Energy conservation policies, installation of energy-efficient machinery, conserving energy in day-to-day operations.
Product	Consumer-oriented policies, product quality information, R&D projects for product improvement, product safety research, discouragement of misleading information about product quality and quantity.

## 2.7 Conclusion

This chapter presented an overview of the socio-environmental issues and contextual factors that are deemed important for the development of a CSRR framework for Pakistan. Pakistan is the sixth most populous country in the world, experiencing a population growth rate of over 20% per decade. This exponential growth puts pressure on the economy and is outpacing the growth in employment opportunities, leading to a high rate of unemployment. Consequently, almost 39% of the population lives below the multidimensional poverty line. Alongside poverty, the Pakistani state has struggled to manage a range of challenges, including labor issues, power shortages, consumer rights violations, and environmental degradation. Unstable relations with neighboring countries have not helped; currently, the Pakistani government diverts a significant portion of the nation's budget from socio-economic developmental projects to defense and security. This results in the government's inability to mitigate the ever-growing socio-economic and environmental challenges faced by the country.

Given this context, the corporate sector should ideally provide a level of support to the government. However, although Pakistani corporations contribute to the economy, they are also major contributors to the country's social and environmental problems, a state of affairs that is not kept in check by Pakistan's weak law enforcement mechanisms. While various government organizations, NGOs, and other key stakeholders may expect corporations to adhere to their socio-environmental obligations and report about them to ensure their accountability and transparency, the lack of a tailored and systematic CSRR framework is damaging. There is an urgent need to establish such a framework, which contains specific CSRR items to guide CSR and CSRR practices and to serve as a tool to evaluate the CSRR practices in Pakistan.

As a first step towards the formulation of a context-specific CSRR framework, this chapter highlighted the socio-economic and environmental issues which are especially pertinent to the Pakistani context. An exploration of these issues respectively helped to identify five main CSRR dimensions and several preliminary CSRR items that are relevant to the context of Pakistan. Further, the importance of Islam to Pakistani society was discussed. Since Islamic teachings provide clear directives on social and environmental issues, several CSRR items were derived by referring to key Islamic prescriptions including Al-Quran and Hadiths. In short, the discussion on the contextual factors and existing legislations helped to highlight the importance of a contextually-

tailored CSRR framework and facilitated the identification of CSRR categories and items that form the basis of the CSRR index developed in this thesis.

The next chapter presents a detailed account of the literature on CSR and CSRR practices in developed and developing countries.

## **Chapter Three**

### **Literature Review**

#### **3.1 Introduction**

CSRR helps corporations to reduce information asymmetry with their stakeholders, discharge corporate accountability and transparency, and achieve organizational legitimacy and survival in the society (Nicolo, Zanellato, & Tiron-Tudor, 2020; Mahmood, Kouser, & Masud, 2019; Masud, Nurunnabi, & Bae, 2018; Cormier, Magnan, & Van Velthoven, 2005; De Villiers & Van Staden, 2006; Gray, Owen, & Adams, 1996; Patten, 1992). The growing importance of CSRR is reflected in the growth in academic research on the extent and quality, determinants, and impacts of CSRR (Ali et al., 2017; Fifka, 2013). This chapter reviews the CSR and CSRR literature to provide an understanding of pertinent CSRR studies with respect to their research objectives, methodologies, CSRR indices, and research findings. The chapter aims to identify the gaps in the extant studies in order to set the objectives of this study. Another important purpose of the chapter is to extract a list of CSRR items from the CSRR literature that relates to the contextual issues of Pakistan. In this way, the review of CSRR literature also helps in identifying contextual CSRR items that form the preliminary CSRR index.

This chapter is divided into the following sections. Section 3.2 presents an overview of the evolution and definitions of CSR and CSRR. The role of international initiatives in the development of CSR and CSRR is presented in section 3.3. Section 3.4 presents an account of the CSRR research and identifies gaps in the literature. Section 3.5 presents the preliminary CSRR index which is developed based on prior CSRR studies. Section 3.6 summarizes and concludes the chapter.

#### **3.2 The Evolution and Definitions of CSR and CSRR**

##### **3.2.1 History of CSR and CSRR**

The concept of Corporate Social Responsibility (CSR) is deep-rooted in the realization that corporate operations have serious impacts on social and natural environments (Baskin, 2006; Sobhani, Amran, & Zainuddin, 2009). It is argued that corporations, as part of society, should recognize their socio-environmental responsibilities and make a positive contribution towards the communities and societies in which they operate

(Toppinen, Tuppuru, & Xiong, 2012; Jones, Comfort, & Hillier, 2005). CSR has a long history, and evidence of business concern for the society and community can be traced back to several centuries (Carroll, 1999). However, CSR in its current form gained both academic and corporate recognition in the 1950s (Beal, 2014; Okoye, 2009).

Tracing the evolution of CSR, Murphy (1978) classifies the development of CSR into four distinct eras. According to Murphy (1978), CSR was more of a “*philanthropic*” activity until the 1950s, and the focus of CSR programs was limited only to provide providing charitable donations to the underprivileged in society. The second era, 1953-67, was the “*awareness*” phase in which companies extended their focus from philanthropy to recognize the betterment of the overall community as their CSR agenda. In the “*issue*” era, 1968-73, the focus of CSR narrowed down to deal with specific socio-environmental issues such as environmental pollution, racial discrimination, unemployment, etc. Finally, in the period 1974-78 and onwards, termed the “*responsiveness*” era, serious management actions were taken to address CSR issues. Some of the corporate actions included strategizing and implementing corporate ethics, appointing and altering the board of directors, and providing socio-environmental disclosures (Carroll, 2008).

Similarly, corporate reporting has also evolved over the years from the preparation of simple financial statements into a more comprehensive model to incorporate issues relating to governance, the environment, and sustainability (Lusher, 2012). The shift in corporate reporting is partly due to increasing global demand from shareholders, NGOs, and other stakeholder groups for accountability and transparency (Abernathy, Stefaniak, Wilkins, & Olson, 2017; English & Schooley, 2014; Lyon & Maxwell, 2011). To trace the evolution of modern CSRR, Marlin and Marlin (2003) have identified three phases in the development of CSRR. During the first phase (the early 1970s and 80s), CSRR was mostly attributed to “*green-wash*” reports which focused on environmental issues targeted towards eco-marketing goals. CSRR was mainly used for reputation building and impression management purposes and its usefulness was limited as it lacked relevant and quantifiable information (Tschopp & Huefner, 2015). In the second phase (the late 1980s and 90s), more quantifiable and verifiable reports constituting information about various CSR dimensions, such as community, employees, customers, suppliers, and investors, were issued. The third phase, which dates from the late 1990s until now, is characterized by a multi-stakeholder approach. In this phase, CSRR has become more sophisticated due

to the emergence of CSRR guidelines and standards including GRI standards, the United Nations Global Compact Communication on Progress, the Environment, Social, and Governance (ESG) framework, and International <IR> Framework, etc. (Tschopp & Huefner, 2015).

Several approaches to non-financial reporting emerged in the last few decades, including carbon accounting, green accounting and environmental reporting (Owen, Gray, & Bebbington, 1997), Triple Bottom Line Reporting (Elkington, 2004), CSRR, corporate social and environmental reporting, ESG reporting and sustainability reporting (Amran & Haniffa, 2011). These concepts are used interchangeably and CSRR has been referred to as corporate social disclosure, TBL reporting, and, of late, as sustainability reporting (GRI, 2011; Amran & Haniffa, 2011; Douglas, Doris, & Johnson, 2004). Since this thesis focuses on CSRR in a developing country, where the concept is still in its infancy, (Javed, Rashid, Hussain, & Ali, 2020; Kemp & Vinke, 2012), the discussion remains focused on CSR and CSRR in particular.

### **3.2.2 Definitions of CSR and CSRR**

There is no universally agreed definition of CSR (McWilliams, Siegel, & Wright, 2006; O’Riordan & Fairbrass, 2008; Okoye, 2009), and the term has been defined in a variety of ways (Bowen, 1953; Carroll, 1979, 1991). Bowen (1953) is often considered to be the first one to define CSR in his book “Social Responsibilities of the Businessman”. According to Bowen (1953), CSR is: “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society” (p. 6). Although others have also developed definitions of CSR, Carroll’s (1979) 4-dimensional concept of economic, legal, ethical, and philanthropic activities has remained as a comprehensive and widely used definition of CSR (Lee & Carroll, 2011; Visser, 2010). According to Carroll (1979, 1991), CSR constitutes the following: “Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time”.

In an attempt to examine the similarities and differences in CSR definitions, Dahlsrud (2008) conducted a meta-analysis of 37 existing definitions and identified the five CSR dimensions that were most common in the existing CSR definitions: social, economic, environment, stakeholders, and voluntariness. Moreover, Dahlsrud (2008) also

highlighted the significance of understanding the specific context in which CSR is socially constructed, as the context shapes the understanding of CSR. Various scholars support the view that historical, cultural, economic, social, and religious contexts shape the meaning of CSR (Azmat & Zutshi, 2012; Chapple & Moon, 2005; Paulet & Rowley, 2017; Tilt, 2016; Visser, 2007). Furthermore, Wang and Juslin (2009) contend that the Western concept of CSR is not a good fit for the developing world, due to the differences in their contextual factors. Indeed, the definition of CSR in developing countries might differ from that in developed countries. For example, Visser, Matten, Pohl, and Tolhurst (2007) define CSR for developing countries as “the formal and informal ways in which business contributes to improving the governance, social, ethical, labor, and environmental conditions of the developing countries in which they operate while remaining sensitive to prevailing religious, historical, and cultural contexts” (p. 149).

This definition of CSR is comprehensive and valid as it identifies the CSR areas that need attention in developing countries. At the same time, it sets the scope for CSR activities that should be in alignment with the contextual (cultural, historical, and religious) norms and values of the society. It substantiates the idea that the meaning and practices of CSR are influenced by different contextual factors and they should not contradict society’s expectations (Fernando, 2013). The definition by Visser et al. (2007) provides the basis for this study’s objective of developing a context-specific CSRR framework for Pakistan. This study adopts the definition by Visser et al. (2007) and it draws on the description by Gray et al. (1996) to define CSRR: “the process of communicating the social and environmental effects of organizations to particular interest groups within society and to society at large” (p. 3).

### **3.2.3 Global Initiatives in the Development of CSR and CSRR**

#### ***3.2.3.1 The United Nations (UN) and CSRR***

The UN has played an important role in the evolution and development of CSR and CSRR (United Nations, 1972). The UN initiated several global conferences, followed by declarations to promote and implement the concepts of CSR, CSRR, and sustainable development. Initially, the UN conferences were focused more on environmental issues. For example, in the first conference of its kind, the UN conference on Human Development in 1972 highlighted the role of corporations to preserve the environment, and the UN Environmental Program (UNEP) was established to mitigate the rapidly

growing environmental issues. In 1983, the ever-growing environmental issues partly caused by industrialization, led to the creation of the UN Commission on Environment and Development (Redclift, 1989). The Commission introduced the concept of sustainable development in its report, “Our Common Future” published in 1987 (United Nations, 1987).

In the Earth Summit 1992, participating governments agreed to establish strategies to protect the environment. This was a shift for the business environment and corporations began to include environmental concerns in their policies and practices (Gleckman, 1995). Apart from the environment, the UN incorporated other dimensions of CSR such as poverty alleviation, quality health and education, gender equality, and employment in the Copenhagen Declaration which resulted from the World Summit for Social Development in 1995. Most importantly, the World Summit on Sustainable Development in 2002 compelled businesses to fulfill their corporate economic, social and environmental responsibility and accountability (Moldan, Janouskova, & Hak, 2012; Fernando, 2013). The corporate entities were encouraged to enhance their CSRR and engage with stakeholders in their social and environmental development programs (United Nations, 2002). In the next key UN conferences, the Climate Change Conference in 2015, and the Climate Action Summit in 2019, countries pledged to cut down their greenhouse gas and industrial emissions and to report about their efforts to combat the drastic impacts of climate change (Vaughan, 2019; Briggs, 2017).

Following the UN initiatives and the growing global attention towards CSR and CSRR, several non-financial reporting standards and guidelines have been developed to guide corporations on their CSRR. At present, there is no single universally accepted CSRR framework that should be followed (Dilling, 2010). However, a number of frameworks are widely recognized international standards on social and environmental reporting. These include the GRI’s G4 standards, the UN Global Compact’s Communication on Progress (UNGC COP), the ESG framework, and the Integrated Reporting framework.

### ***3.2.3.2 Global Reporting Initiative (GRI) and CSRR***

In 1997, the UN Environment Program and the Coalition for Environmentally Responsible Economies established the Global Reporting Initiative (GRI) as an independent organization to develop globally applicable CSRR guidelines (Branco & Delgado, 2012). The GRI is a not-for-profit organization that has developed voluntary

sustainability reporting guidelines in consultation with multiple stakeholders. These guidelines help companies to report their economic, environmental, social, and governance performance to ensure transparency and accountability towards their stakeholders (Blanco, Bostwick, Buck, & Kriege, 2013). GRI launched the fourth generation of guidelines, GRI G4, in 2013, which aims to help reporters to generate material and purposeful reports and to make sustainability reporting a standard practice (Jones, Comfort, & Hillier, 2016). Globally, GRI G4 is the most comprehensive and widely used CSRR standard (Paulet & Rowley, 2017).

The GRI G4 consists of two types of standard disclosures: general standard disclosures and specific standard disclosures (GRI, 2018). The general standard disclosures consist of 58 standards divided into seven parts including strategy and analysis, organizational profile, identified material aspects, stakeholder management, report profile, governance and ethics, and integrity. The 91 specific standards disclosures are organized into three main categories, economic, environment, and social, and four subcategories: labor practices, human rights, society, and product responsibility. KPMG (2017) indicates a rising trend in the adoption of GRI sustainability reporting guidelines across the globe. According to the survey, about 75% of the Global Fortune 25 companies (G250) adopted GRI sustainability reporting guidelines, which makes GRI the most commonly used reporting framework of all (KPMG, 2017). Certainly, the comprehensive nature of GRI (G4) has facilitated the selection of CSRR items that might be considered relevant in the Pakistani context and therefore used in the framework developed by this study.

### ***3.2.3.3 The UN Global Compact (UNGC) and CSRR***

The UN Global Compact (UNGC) was established in 2000. It encourages corporations and MNCs operating in developing countries to focus on ten principles<sup>16</sup> related to human rights, labor standards, the environment, and anti-corruption (United Nations Global Compact, 2018). The Communication on Progress (COP) deals with the disclosure component of the UN Global Compact. It requires companies to document their commitments towards the ten principles and report on their implementation (UNGC, 2013). Apart from COP, the UNGC has continued its efforts to integrate CSR issues into business decisions. Most importantly, the concept of Environment, Social, and

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<sup>16</sup> These principles are derived from various UN initiatives such as the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

Governance (ESG) was introduced in the UNGC's report, "Who Cares Wins: Connecting Financial Markets to a Changing World" published in 2004 (Eccles, Lee, & Strohle, 2020). Through collaboration with different financial stakeholders, the UNGC aimed to develop guidelines and recommendations to incorporate Environmental, Social, and Governance issues in asset management, brokerage services, and other business avenues (United Nations, 2004).

The concept of ESG has gained greater popularity in the global arena due to strong endorsements by the UN. Consequently, several accounting standard-setting bodies and professional organizations have developed different ESG frameworks<sup>17</sup>. For instance, the Sustainability Accounting Standards Board (SASB) developed ESG standards covering ESG issues and relevant indicators for 77 industries in 2018 (SASB, 2021). These standards are targeted to assist companies in disclosing material ESG-related information to the relevant stakeholders. Similarly, NASDAQ Stock Exchange has also developed an ESG reporting matrix that consists of 30 key performance indicators to guide and assess corporate ESG performance (NASDAQ, 2019). This study also consults the UNGC's COP and ESG frameworks to identify CSRR items that might be important in the Pakistani context.

#### ***3.2.3.4 The International Integrated Reporting Committee (IIRC)***

The Prince of Wales initiated the "Accounting for Sustainability (A4S)" forum in 2004 which aimed to incorporate economic, social, and environmental aspects of businesses in an integrated framework (Lakshan, 2018). It also aimed to facilitate a means of establishing a common approach to create, and implement, sustainable projects and to disclose sustainability-related information in corporate reports. The A4S collaborated with GRI to form the International Integrated Reporting Committee in 2010 (Owen, 2013). The purpose of IIRC was to develop an International Integrated Reporting Framework that would present the financial and non-financial (ESG performance) information in a more holistic and integrated manner (Chen, 2016). According to IIRC (2011), "the core objective of the framework is to guide organizations on communicating the broad set of information needed by investors and other stakeholders to assess the organization's long-term prospects in a clear, concise, connected and comparable format" (p. 2). Moreover, it expects companies to disclose how they have utilized six inputs or capitals including

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<sup>17</sup> The professional bodies have also used ESG metrics as an alternative term for the ESG framework.

financial, manufactured, human, intellectual, natural, and social capital in their business operations (Santis, Bianchi, Incollingo, & Bisogno, 2018; IIRC, 2011)

Overall, the GRI, UNGC, and IIRC provide widely recognized standards and guidelines on voluntary disclosures such as CSRR to ensure transparency and accountability towards business stakeholders. However, in the case of Pakistan, a very limited number of companies adopt GRI reporting standards and they are mainly large organizations that are engaged with the international supply chain (ACCA, 2017; Kemp & Vinke, 2012). The level of awareness about GRI guidelines and their implementation/adoption is very low in the Pakistani corporate sectors (PICG, 2013). Plausible reasons for the low adoption rate of GRI (G4) in Pakistan are the technicality, relevance, and complexity of these guidelines. It has been argued that a local contextual framework that is more relevant and simple would help to improve the extent and quality of CSRR in Pakistan (Mahmood, Kouser, & Masud, 2019). Indeed, an initial step for this was the consultation of global standards, guidelines, and CSRR literature to develop an overall CSRR framework that consists of a wider list of CSRR items, an evaluation and scoring method, and theories governing CSRR. This then provides the basis for suggestions to implement and adopt a tailored CSRR framework in Pakistan.

### **3.3 Extant Research on CSRR**

CSRR has emerged as one of the main fields of inquiry for accounting academicians (Deegan, 2009; Tilt, 2016). Empirical research suggests that CSRR studies have traditionally focused on companies in Anglo-Saxon and European countries such as the United States, the United Kingdom, Germany, and Australia (Gamerschlag et al., 2011; Gray, 2006; Murray et al., 2006; Rao & Tilt, 2016; Stanny & Ely, 2008). In recent years, CSRR studies have extended their focus to developing and emerging countries including Malaysia, Bangladesh, Portugal, Egypt, Thailand, and the UAE (da Silva Monteiro & Aibar-Guzmán, 2010; Naser & Hassan, 2013; Rosli & Mohd, 2015; Sumiani et al., 2007). As most of the developing countries imitate and inherit the CSRR practices and systems of the developed countries (Belal & Owen, 2007), the studies discussed below are categorized based on developed and developing contexts to provide a more structured understanding of the CSRR literature.

### **3.3.1 CSRR Studies in Developed Countries**

The CSRR literature in developed countries is divided into two broader categories. The first section discusses the development of methods and indices used to evaluate the extent and quality of CSRR practices. This is followed by the country and sector-specific studies that focused on the determinants of CSRR practices in developed countries.

#### ***3.3.1.1 The Methodological Development of CSRR Analysis***

The evaluation of CSR and CSRR has been an important topic in the academic and business communities (Turker, 2009). In recent years, CSR and CSRR evaluation tools have evolved and greatly increased in number (Olanipekun, Omotayo, & Saka, 2021; Toppinen, Tuppara, & Xiong, 2012). Earlier studies on developed countries utilized several tools to assess CSR including forced-choice surveys (Aupperle, 1983; Aupperle, Carroll, & Hatfield, 1985), reputational scales (Abbott & Monsen, 1979; Bowman & Haire, 1975; Ruf, Muralidhar, & Paul, 1998; Waddock & Graves, 1997), and CSRR indices for the content analysis of annual reports (Cowen et al., 1987; Davey, 1985; Guthrie & Parker, 1990; Hackston & Milne, 1996; Ingram, 1978; Roberts, 1992).

Although these CSR evaluation techniques have certain benefits, each of them also has drawbacks (Waddock & Graves, 1997). For example, the reputational scales and databases have a limited scope as they are devised to evaluate companies in specific contexts and different scales used to evaluate CSRR of the same company might produce divergent assessments (Eccles, Lee, & Stroehle, 2020). Similarly, forced-choice surveys might be criticized for their low response rate (Turker, 2009). A growing body of CSRR literature has used self-constructed disclosure indices to evaluate CSRR using content analysis (Cowen et al., 1987; Davey, 1985; Guthrie & Farneti, 2008; Inchausti, 1997). Some of the CSRR studies that have been particularly salient for the advancement of the CSRR indices debate are presented below.

One of the earliest studies to use a CSR index to examine the influence of investment value on social performance was conducted by Spicer (1978). Although the main objective of the study was not the development of an index, it provided a way forward in assessing corporate social performance and information disclosure. The study developed a Pollution index based on the Council on Economic Priority (CEP) reports. The study was preliminary in nature. Corporate social performance and disclosure were measured only using one aspect of social issues -- pollution control -- which was a limitation of the

index. Similarly, Ingram (1978) used a self-constructed CSRR index to examine the content of CSRR. Unlike Spicer's pollution index, the CSRR index in this study was divided into five categories including environment, fair business, personnel, community, and product. The study included suggestions of CSRR categories that researchers might be interested to evaluate. However, it did not provide a specific list of CSRR items that constitute the CSRR categories in the index.

The CSRR research on CSRR items and indices evolved during the following decades. Trotman and Bradley (1981) adopted an extended approach to assessing the extent of CSRR of firms listed on the Australian Association Stock Exchange. They developed an index consisting of 23 CSRR items divided into six dimensions: environment, energy, human resource, product, community, and others. Some studies also developed indices for specific CSR categories. For instance, Wiseman (1982) aimed to evaluate the content of environmental disclosures by companies in environmentally sensitive industries. The study developed an environmental index comprising 18 environment-related items divided into four sub-categories. The study used a quality criterion (0-3) to evaluate the content of environmental disclosures, which could be considered an advancement in CSRR research.

In another study, Davey (1985) constructed a qualitative disclosure index to examine improvements in the level and quality of CSRR in New Zealand. The development of the disclosure index involved discussions with different users of CSRR information. The CSRR index consisted of seven CSRR dimensions: employment, corporate objectives, product, philanthropy, energy, environment, and others. Using the CSRR index, the author adopted a qualitative content analysis technique<sup>18</sup> to evaluate the extent and quality of CSRR. Similarly, Cowen et al. (1987) examined the extent of CSRR in the United States. The study used a self-constructed CSRR index that included 27 items categorized into seven dimensions (environment, fair business practices, energy, human resource, community, product, and others). The study evaluated the extent of the overall CSRR and disclosures in each dimension individually as different CSRR dimensions receive a different level of corporate attention and, hence, should be assessed separately (Cowen et al., 1987).

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<sup>18</sup> A 1-7 point Likert scale (from poor to excellent) was used to determine the quality of CSR disclosure, whereas word count was used for measuring the extent of CSRR.

Although the methodological approach to examining CSR and CSRR had evolved, several methodological challenges (such as defining and identifying CSR and CSRR categories, CSR indices, lack of CSRR data accessibility, etc.) persisted (Gray, Kouhy, & Lavers, 1995a). To address these methodological issues, Gray et al. (1995a) developed a detailed social and environmental disclosure database in the United Kingdom. This seminal study defined the CSRR items and categories, identified the location of the social disclosures, suggested the easiest and most appropriate approach to measure CSRR, and devised rules for the content analysis. The database consisted of 15 CSRR categories overall that were further divided into sub-categories and CSRR items.

The establishment and growing popularity of GRI meant that since the new millennium, researchers have consulted the generic GRI standards and indicators to develop and modify CSRR indices for different contexts (see, for instance, Clarkson, Li, Richardson, & Vasvari, 2008; Cormier et al., 2005; Holder-Webb et al., 2009; Romolini et al., 2014). The next section presents a review of the country and sector-specific CSRR studies and it focuses on their research methodologies and findings related to the determinants of CSRR.

### ***3.3.1.2 Country and Sector-Specific CSRR Studies in Developed Countries***

As discussed previously, a great body of CSRR literature has emerged from developed economies such as the United States, the United Kingdom, Germany, Australia, and New Zealand. The majority of these studies have used CSRR disclosure indices to analyze the content of CSRR, and they have focused on examining the determinants or factors influencing CSRR practices (Ali, 2014; Ali et al., 2017; Fifka, 2013).

For instance, in the case of the United States, Cowen et al. (1987) analyzed the CSRR of 134 U.S. firms from 10 different industries. To assess the extent of CSRR, the researchers adopted an unweighted dichotomous approach using a CSRR index consisting of 27 items. The study reported a low extent of CSRR as on average each company disclosed 5.64 items in 0.7 pages. Results from the regression analysis suggested a positive association between firm size and CSRR whereas the industry variable only affected the energy and community dimensions of CSRR. Similarly, Roberts (1992) investigated the determinants of CSRR using 130 big U.S. firms representing seven industries. The study adopted a Social Disclosure Model from the analysis of the CEP report (1986) as a measure for the extent of CSRR. The results from the regression analysis confirmed a significant

association between stakeholder power, strategic posture, economic variables, and the extent of CSRR. However, unlike Cowen et al. (1987), Roberts (1992) reported no significant relationship between firm size and the extent of CSRR. The contrasting results for firm size results suggest the inconclusive nature of the findings relating to the determinants of CSRR.

In another U.S.-based study, Clarkson et al. (2008) developed a corporate environmental disclosure index based on GRI indicators to examine the influence of environmental and financial performance on the extent of environmental disclosure. The study utilized the content analysis approach to analyze the annual reports of 191 U.S. firms from five different industries. Using multiple regression analysis, the study reported a positive relationship between environmental performance and the extent of environmental disclosure, while no such impact of financial performance on environmental performance was documented. Following a similar approach, Holder-Webb et al. (2009) adopted CSRR items from the GRI guidelines to evaluate the extent and determinants of CSRR in the top 50 U.S.-listed companies. However, unlike Clarkson et al. (2008), who only examined environmental disclosures, the study used an aggregated approach to include six dimensions of CSRR in their analysis (community, human resource, environment, health and safety, human rights, and politics related issues). The content analysis suggested a relatively high extent of CSRR, as almost 41% of the overall information disclosed to the public by the companies comprised CSRR information<sup>19</sup>. The study reported a positive association between industry type and the extent of CSRR.

Adopting a sector-specific approach, Hou and Reber (2011) analyzed the CSRR of ten major media companies in the United States. Following the trend in CSRR research, this study also used the content analysis technique to evaluate the extent of disclosure on five CSRR dimensions including environment, community, human rights, diversity, and employee relations. The study reported a high level of CSRR by the sample companies. It found that the size and type of the company significantly influenced CSRR.

In the United Kingdom., Clarke and Gibson-Sweet (1999) conducted a cross-sectoral analysis of the corporate community and environmental reporting of the top 100 U.K. firms. The study revealed that 81% of the sample firms reported on their community and environmental involvement in society. Compared to community involvement reporting,

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<sup>19</sup> Forty-four out of the 50 sample firms provided CSRR information.

environmental reporting was more popular in the United Kingdom with 45% of firms providing dedicated/standalone environmental reports. The study suggested a positive association between the type of industry and community and environmental disclosures as companies in environmentally sensitive industries (such as mining, chemical, metal forming, etc.) provided a higher extent of reporting on the two dimensions of CSRR. Murray et al. (2006) examined the influence of financial performance on the extent of corporate social and environmental reporting. The authors utilized the data stored in the Centre for Social and Environmental Accounting Research database (CSEAR) to examine the extent of corporate social and environmental reporting. The content analysis of the annual reports reported a low level of social and environmental reporting in the annual reports of the top 100 UK firms, as indicated by the low number of pages devoted to CSRR. Moreover, the Pearson Correlation test established an insignificant association between financial performance and corporate social and environmental disclosure. Similarly, Brammer and Pavelin (2008) also reported an insignificant relationship between financial performance and the quality of environmental reporting.

One of the earliest CSRR studies in New Zealand was conducted by Davey (1985) who investigated the extent and quality of CSRR in New Zealand. The study constructed a CSRR index to evaluate CSRR on seven dimensions. The findings from the content analysis suggested an increase in the extent of CSRR, whereas the quality of CSRR in New Zealand was reported to be low. Approximately 82% of the sample companies had engaged in some form of disclosure, of which the employment dimension had the highest level of disclosure (57.6%). The study found no statistically significant relationship between firm size and industry type (Davey, 1985). Similarly, Hackston and Milne (1996) examined the CSRR of 47 listed companies on the New Zealand Stock Exchange. In line with Davey (1985), the study found that, overall, the extent of CSRR was low. However, this study contradicted Davey (1985) in its indication that firm size and industry have a significant influence on CSRR in New Zealand.

Cormier et al. (2005) examined the determinants of the quality of environmental reporting in Germany. The study adopted an Environmental index consisting of 39 items to evaluate the quality of the environmental reporting of 55 firms. The findings from the content analysis indicated an increasing trend in the quality of environmental disclosures in Germany, on which firm size, age, and ownership structure had a significant impact. Gamerschlag et al. (2011) also reported similar results for firm size and ownership

structure in another study in Germany. The authors used GRI indicators to quantify the amount of CSRR and adopted 32 core CSR items in their unweighted disclosure index. Consistent with Cormier et al. (2005), the study revealed an increase in the amount of CSRR disclosed by the sample firms. Furthermore, the results from the regression analysis indicated that CSR disclosure is strongly influenced by company size and industry along with other factors like visibility and shareholding structure.

Reverte (2009) investigated the determinants of CSRR in Spain. The study adopted CSR disclosure ratings from Observatory on Corporate Social Responsibility (OCSR)<sup>20</sup> as a proxy to evaluate CSRR. The study reported a lower level of CSRR in the Spanish context. The results also indicated that CSRR is influenced by firm size, industry, and media exposure, whereas profitability and leverage had no effects. Similar results regarding the influence of firm size, industry, and profitability were documented by other studies conducted in Spain (García-Ayuso & Larrinaga, 2003; Inchausti, 1997; Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009; Sotorrió & Sánchez, 2010).

In Australia, Rao and Tilt (2016) used a CSRR index and adopted the content analysis technique with word count as a unit of analysis to evaluate the extent of CSRR. The authors observed a greater extent of CSRR for the environment and employee components as compared to the lower community and product-related disclosure. Furthermore, regression analysis reported a positive association between corporate governance variables (gender, tenure, multiple directorships) and CSRR.

Apart from the country and sector-specific CSRR studies, researchers in the developed countries have also examined whether CSR and CSRR vary across the contexts due to differences in their socio-political, cultural, and religious factors. Investigating this research question, Adams, Hill, and Roberts (1998) conducted a cross-country study in Germany, the United Kingdom, France, Sweden, the Netherlands, and Switzerland. The authors reported a significant amount of variation in the CSRR of the countries under investigation and concluded that the country of origin strongly influences CSRR. In another study, Laan-Smith, Adhikari, and Tondkar (2005) found a significant variation among the CSRR practices in the United States and Norway/Denmark. The study highlighted the importance of cultural systems and governance structure as these factors

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<sup>20</sup> OCSR is an organization of multiple stakeholder groups, which annually rates Spanish companies on various guidelines from GRI, AA1000 Accountability principles, New Economic Foundation (NEF), and corporate governance attributes from Spanish Stock Exchange.

were reported to have caused variations in CSRR in the United States and Norway/Denmark. Moreover, differences in political systems and cultural values of companies have also been reported to cause differences in CSR (Matten & Moon, 2008).

In light of the CSRR literature, which, taken as a whole suggests that variations among CSR and CSRR practices in different contexts are linked to differences in political, cultural, and governance systems (Adams et al., 1998; Belal & Owen, 2007; Laan-Smith et al., 2005; Matten & Moon, 2008; Visser, 2007), it is argued that the context-specific CSRR approach to assessing CSRR practices is all the more valid and appropriate. Similarly, literature regarding the determinants of CSRR practices provides mixed and inconclusive evidence, as factors that significantly affect CSRR in one context were insignificant in another context or within the same context in different studies. For instance, analyzing the relationship between profitability and CSRR in the United States, Roberts (1992) reported a positive association, Ho and Taylor (2007) documented a negative relationship, and Stanny and Ely (2008) reported an insignificant association between profitability and CSRR. Hence, it is important to revisit the determinants of CSRR and contribute to the CSRR literature by providing updated empirical evidence.

A summary of the discussed CSRR studies conducted in developed countries is presented in Table 3.1:

**Table 3.1: CSRR Studies in Developed Countries**

Study	Country	Variables	Methods	Findings
Roberts (1992)	US	Dep <sup>21</sup> : Social disclosure model from the Council on Economic Priorities Report Ind <sup>22</sup> : Stakeholder power (investors, government, debtors) Strategic posture (Public Affairs Dept., Philanthropic Foundations) Economic (ROE, Systematic Risk) Control (Age, Industry, Size)	Logistic Regression	All variables have significant impacts on Corporate Social Disclosure except the firm size variable.
Inchausti (1997)	Spain	Dep: Information index (50 items with 20 voluntary disclosure) Ind: Size, Audit firm, Stock exchange listing, Profitability, Leverage, Dividend, Industry	Regression Analysis	Sig <sup>23</sup> : Size, Audit firm, Stock exchange listing. Insig <sup>24</sup> : Profitability, Leverage, Dividend, Industry.
Moneva & Llena (2000)	Spain	Dep: Environmental Reporting (content analysis based on acquired instrument dealing with 5 categories) Ind: Company origin, Stock market listing, Social pressure, Govt., Regulation	Descriptive and Content Analysis Wilcoxon test, Chi-Square	Environmental reporting increased for the period of study. Sig: Foreign-based companies, Social pressure. Insig: Stock Market Listings, Govt. Regulations.
Moore (2001)	UK (8 Superstores)	Dep: Social Performance & Disclosure (16 measures/items, ranked from 1-10) Ind: Profitability, Age, Size, Gearing	Descriptive	Sig (+ve): Financial performance, Age, Size. Sig (-ve): Gearing.
Garcia-Ayuso & Larrinaga (2003)	Spain	Dep: Environmental Disclosure Index Ind: Profitability, Size, Leverage, Environmental Sensitivity, Media exposure	Regression Analysis	Sig: Environmental sensitivity, Media exposure. Insig: Size, Risk, Profitability.

<sup>21</sup> Dep: Dependent

<sup>22</sup> Ind: Independent

<sup>23</sup> Sig: Significant

<sup>24</sup> Insig: Insignificant

Prencipe (2004)	Italy	Dep: Voluntary Disclosure Index (weighted & unweighted) Ind: Growth rate, Age, Size Leverage, Profitability, Ownership diffusion.	Regression Analysis	Sig: Age, Size, Leverage, Ownership diffusion. Insig: Growth rate, Profitability.
Quaak, Aaebers & Goedey (2007)	the Netherlands	Examined the influence of local stakeholders on sustainability reporting	Case Study Interviews Descriptive	Stakeholders (management, employees, customers, government, NGOs, neighborhood) have more influence on sustainability reporting in small breweries than national and international factors. Big size breweries disclose more.
Stanny & Ely (2008)	US	Dep: Binary disclosure index Ind: Size, FT500 membership, Foreign sales, Institutional ownership, Industry, Leverage, Asset age, Capital expenditure, Intangible assets, Profitability.	Binary Logistic Model	Sig: Size, Foreign sales, Age. Insig: Profitability, Leverage, Industry, Institutional ownership, Capital expenditure.
Guthrie, Cuganesan & Ward (2008)	Australia	Descriptive study Binary Disclosure Index	Content Analysis	Companies only revealed 32% of GRI indicators in their reporting. Companies “cherry-picked” GRI indicators for reputation building. GRI is too generic as reporting standards
Martin & Hadley (2008)	UK	Reporters vs Non-reporters Size, Industry	A questionnaire with 8 questions Descriptive	According to respondents, low reporting because such reports are not useful, data is tiresome to collect, and not legally required Large firms (size) and industry (dirtier) produced more environmental reports
Brammer & Pavelin (2008)	UK	Dep: Binary variable (Quality of Corporate Environmental Reporting) Ind: Firm size, Industrial sensitivity, Media exposure, Ownership structure, Profitability, Leverage, Non-executive directors.	Multiple Logistic Regression	Sig: Size, Industrial Sensitivity. Insig: Media exposure, Ownership structure, Profitability, Leverage, Non-executive Directors.
Vormedal & Ruud (2009)	Norway	Dep: 5 points Likert scale Ind: Size, Industry, Internationalization.	Comparative analysis	The quality of mandatory and voluntary reporting in Norway is overstated. Reporting on environmental issues is poor. Sig: Internationalization Insig: Size, sector

Gamerschlag, Moller & Verbeteen (2011)	Germany	Dep: CSR Disclosure Index (using GRI guidelines) Ind: Visibility, Profitability, Shareholding structure, Relationship with US stakeholders. Control: Size, Industry	Content Analysis Descriptive statistics Regression Analysis	Sig: All the variables except profitability (i.e. only related to environmental disclosure and not social disclosure).
Jo & Harjoto (2012)	US	Dep: CSR (KLD database) Ind: Block-holder ownership, Board independence, Institutional ownership, Number of analysts following a firm.	Regression Analysis	Sig: All independent variables
Marquis & Qian (2014)	China	Dep: CSR reports (dummy) and CSRR substantiveness (ratings from RKS database) Ind: Private ownership, Political dependence, Age, Financial resources, Headquarter's location.	Logistic Regression Linear Regression	Sig: Political dependence, Age, Financial resources, Headquarter's location. Insig: Private ownership.
Bonson Bednarova (2015)	Eurozone companies	Dep: CSRR Index Ind: Country, Industry, Listing status (DJSI listing), Size, Profitability.	Pearson Correlation Regression Analysis	Sig: Industry, DJSI listing Insig: Country, Size, Profitability
Dawid, Magdalena, & Karolina (2019)	Poland and Spain	Dep: CSRR Ind: Country, Industry	Shapiro-Wilk Kruskal-Wallis U Mann-Whitney	Both the variables were significant
Cao, Peng, & Ye (2019)	China	Dep: CSRR quality (CSR dummy & CSR score) Ind: Shareholder control i.e. controlled shareholding and non-controlled large shareholdings.	Probit Regression Linear Regression	Sig: Controlled shareholding (-ve), Non-controlled large shareholding (+ve)
Mies & Neergaard (2020)	Germany and Denmark	Dep: CSRR quality Ind: Size, Industry	Content Analysis	Both the variables were significant.

### **3.3.2 CSRR Studies in Developing Countries**

Following the trend in developed countries, academic interest in CSRR has grown significantly in developing countries. A review of the CSRR studies that examine developing countries indicates a high degree of commonalities or patterns. For instance, a majority of the CSRR studies in the developing countries have adopted CSRR indices from the studies conducted in developed countries (see, for instance, Hossain et al., 2006; Juhmani, 2014; Rosli et al., 2016). As already discussed, this approach is questionable, given that there are major differences in the research contexts.

#### ***3.3.2.1 Country and Sector-Specific CSRR Studies in Developing Countries***

Hossain et al. (2006) examined the annual reports of 107 Bangladeshi firms for the year 2002-03. The study used an unweighted disclosure index (consisting of 60 items) based on the indices developed in previous studies (Porwal & Sharma, 1991; Wiseman, 1982) to evaluate the CSRR practices in Bangladesh. The content analysis revealed that only 8% of Bangladeshi firms disclosed information about their social and environmental activities. It can be argued that the CSRR index did not accurately evaluate the extent of CSRR as it was comprised of items from developed countries that might be novel concepts in the Bangladeshi context. As the CSR issues vary across countries (Visser, 2008), only context-specific items should be adopted in the index (Hossain & Hammami, 2009) to gain a better insight into the extent of CSRR. In a similar study in Bangladesh, Sufian (2012) also observed a very low extent of CSRR in an investigation of 70 non-financial firms. Although this study used a similar CSRR index as the study by Hossain et al. (2006), and both papers examined the Bangladeshi corporate sector, the findings were quite different. For instance, unlike Hossain et al. (2006), who reported a positive association between profitability and CSRR, Sufian (2012) found no such association. Again, this illustrates how empirical CSRR research on the determinants of CSRR has generated mixed findings.

Hussainey, Elsayed, and Razik (2011) examined the determinants of CSRR in Egypt. The authors evaluated CSRR on five dimensions including environment, HR, community, energy, and product. Using an unweighted CSRR index for content analysis, the study found a very low extent of CSRR in Egypt. Moreover, the findings from the regression analysis suggested a significant association between profitability and CSRR, while the impacts of size, liquidity, and ownership structure were insignificant. Al-Drugi and Abdo

(2012) conducted a similar study in the context of Libya. The authors investigated the influence of firm size, age, nationality, and privatization on corporate levels of environmental disclosure. Except for the firm's age, all the independent variables were found to be strongly influencing the extent of environmental reporting. The findings of this study diverged from those of Bayoud, Kavanagh, and Slaughter (2012) who also investigated Libyan firms in another study.

CSRR studies have also been conducted in Middle Eastern countries, and like the other developing countries, most of these studies adopted CSRR indices that were developed from and for other contexts. For instance, with respect to Bahrain, Juhmani (2014) adopted an unweighted disclosure index from studies in developed countries (Deegan & Gordon, 1996; Hackston & Milne, 1996; Wiseman, 1982) to evaluate the extent of CSRR in Bahrain. The findings from the content analysis reported that, of the 33 companies it examined which were listed on Bahrain Bourse, only half of the sample firms disclosed the 22 CSRR items used in this study. Company-specific factors such as industry, and auditing (by one of the 'Big 4' accounting firms: KPMG, Ernst & Young, PricewaterhouseCoopers, and Deloitte) were reported to have a positive influence on CSR disclosure, whereas the firm's size, age, and profitability had no significant relationship with the extent of CSRR in Bahrain. Similarly, Al-Hamadeen and Badran (2014) reported different results regarding the determinants of CSRR. This study synthesized various disclosure indices to develop an unweighted CSRR index that consisted of 41 items. Unlike Juhmani (2014), this study reported a significant positive association between firm's age and size on the extent of CSRR.

In Malaysia, Rosli and Mohd (2015) reported a statistically significant relationship between CSRR and firm size and profitability. In another study in Malaysia, Rosli, Fauzib, Mohd, Azamic, and Saide (2016) extended the list of the determinants of CSRR and examined the relationship between company size, profitability, share return, and industry type and CSRR. The study adopted an existing unweighted CSRR index as a measure for CSRR. Using multiple regression analysis, the study reported a positive relationship between company size, profitability, share return, and the extent of CSRR.

A substantial number of CSRR studies have also been conducted in other developing countries. These include India (Aggarwal & Singh, 2019; Kansal, Joshi, & Batra, 2014; Mahadevappa, Rechanna, & Shankarappa, 2012; Singh & Ahuja, 1983); Thailand (Issarawornrawanich & Wuttichindanon, 2019; Ratanajongkol, Davey, & Low, 2006;

Suttipun, 2012); Hong Kong (Gao, Heravi, & Xiao, 2005); the United Arab Emirates (Naser & Hassan, 2013); Iran (Fallah & Mojarrad, 2019; Yaftian, Wise, Cooper, & Mirshekary, 2012) and South Africa (De Villiers & Barnard, 2000; Dube & Maroun, 2017; Shuro & Stainbank, 2014).

The vast majority of CSRR research on developing countries appears to have applied CSRR indices from developed countries (see, for instance, Hossain et al., 2006; Juhmani, 2014; Rosli et al., 2016) to their respective research contexts. It can be argued that the low extent of CSRR reported in most of the developing countries may be the result of a mismatch between the realities of these developing countries' contexts and the CSRR indices, which have been designed for developed countries. Literature suggests that CSR practices differ between developing and developed countries due to differences in economic, political, cultural, and religious factors (Fernando & Lawrence, 2015; Tilt, 2016; Visser, 2007), and adopting CSRR indices from developed countries to evaluate CSRR in developing countries is not appropriate and will generate misleading results (Belal & Owen, 2007). Similarly, most of the studies on developing countries have used an unweighted approach to evaluating CSRR by assigning equal weights to CSR dimensions and items. However, the literature suggests that there are differences between CSR dimensions and items in terms of their significance (Chakroun, Matoussi, & Mbirki, 2017; Talebnia et al., 2013), and thus, assigning equal weights to different CSR dimensions and items might not accurately evaluate CSRR.

A summary of the findings of the CSRR studies conducted in developing countries is presented in Table 3.2:

**Table 3.2 CSRR studies in Developing Countries**

Study	Country	Variables	Methods	Findings
Gao, Heravi & Xiao (2005)	Hong Kong	Dep: Unweighted CSED Index (dichotomous) Ind: Size, Industry	ANOVA	Sig: Size, Industry
Ratanajongkol, Davey & Low (2006)	Thailand	Descriptive study	Descriptive Content Analysis	CSR disclosure increased between 1997-2001. CSR disclosure varies among sectors/industries. The disclosure was high on Human Resources, followed by Community, Energy, Product and low on the Energy dimension
Al-Saeed (2006)	Saudi Arabia	Dep: Unweighted Dichotomous Voluntary Disclosure Index (20 items) Ind: Size, Debt, Ownership dispersion, Age, Profitability, Liquidity, Audit type	Multiple Regression Analysis	Sig: Size (+)  Insig: Debt, Ownership dispersion, Age, Profitability, Liquidity, Audit type
Barako (2007)	Kenya	Dep: Weighted Voluntary Disclosure Index (47 items) Ind: Non-executive directors, CEO duality, Audit committee, Institutional ownership, Shareholder concentration, Foreign shareholders, Liquidity, Profitability, Size, Leverage, Audit type	Correlation Regression Analysis	Sign: Size, Non-Executive directors, CEO duality, Foreign investors, Audit committee, Audit type  Insig: Liquidity, Leverage
Said et al. (2009)	Malaysia	Dep: Unweighted Dichotomous CSDI Ind: Board size, Board Independence, Duality, Audit committee, Managerial ownership, Foreign ownership, Govt. ownership. Control: Size, Profitability	Content Analysis  Multiple Regression	Sig: Govt. ownership, Audit committee  Insig: Board size, Board independence, Duality, Managerial ownership, Foreign ownership, Size, Profitability

Monteiro & Guzman (2010)	Portugal	Dep: Unweighted Dichotomous Environmental Disclosure Index (16 items) Ind: Size, Industry, Profitability, Stock listing, Foreign ownership, Environmental certification	Content Analysis Multiple Regression Analysis	Sig : Size (+), Stock listing (+) Insig: Industry, Profitability, Foreign ownership, Environmental certification
Hussainey, El-Sayed, Razik (2011)	Egypt	Dep: Environmental disclosure, HR disclosure, Community disclosure, Energy disclosure, Product disclosure (No. of sentences) Ind: Size, Profitability, Liquidity, Gearing, Ownership type, Audit type	Content Analysis Multiple Regression Analysis	Sig: Profitability (+) with all components Audit type with Community component  Insig: Size, Liquidity, Gearing, Ownership type
Sutipun (2012)	Thailand	Dep: Weighted Disclosure Index based on GRI (60 items, 0-4) Ind: Board size, Industry, Ownership status, Country of origin, Audit type, Business type, Age, Leverage, Profitability, Liquidity	Descriptive Multiple Regression Analysis	Sig: Industry, Business type, Age, Liquidity to Economic dimension Sig: Board size, risk, and profitability to Social dimension Insig: Ownership status, Country of origin, Audit type
Abdo & Al-drugbi (2012)	Libya	Dep: Environmental Disclosure Ind: Nationality, Size, Privatization, Age	Content Analysis Correlation	Sig: Nationality of company, Size, Privatization Insig: Age
Bayoud, Kavanagh & Slaughter (2012)	Libya	Dep: Unweighted Dichotomous CSR Index Ind: Size, Age, Industry	Semi-structure interviews Pearson Correlation Multiple Regression Model	Sig: Age, Industry Insig: Size

Setyorini & Ishak (2012)	Indonesia	Dep: Social and Environmental disclosure level (SEDL) based on GRI index Ind: Size, Profitability, Earnings management, leverage	Content Analysis Multivariate Regression Analysis	Sig: Size, Profitability, Earnings management Insig: Leverage
Chek et al. (2013)	Malaysia	Dep: Unweighted Dichotomous Index (No. of sentences) Ind: Size, Profitability, Leverage	Content Analysis Multiple Regression	Sig: Size Insig: Leverage Profitability showed mixed results with two measures used, ROA and Income
Talebniya et al. (2013)	Iran	Dep: Social & Environmental Disclosure (SED) Ind: Firm size, Environment, Profitability	Content Analysis Multiple Regression	Sig: Size, Industry Insig: Profitability
Naser & Hassan (2013)	UAE	Dep: Unweighted Dichotomous CSR Disclosure Index Ind: Leverage, Profitability, Industry, Audit firm, Size, Ownership structure, Location of Head office	Content Analysis Multiple Regression	Sig: Size, Industry, Profitability Insig: Leverage, Audit firm, Ownership structure, Location of Head office
Kansal, Joshi & Batra (2014)	India	Dep: CSEEE index Ind: Size, Profitability, Leverage, Industry, Age, Corporate reputation, risk	ANOVA Univariate Regression Multiple regression	Sig: Size, Profitability, Industry, Corporate reputation Insig: Age, Risk
Alkababji (2014)	Palestine	Dep: Unweighted Dichotomous Social and Environmental Disclosure Index (26 items) Ind: Size, sector/industry, Profitability	Content Analysis Correlation ANOVA	Sig: Size, Sector/Industry Insig: Profitability
Muttakin & Khan (2014)	Bangladesh	Dep: Unweighted CSR index (20 items) Ind: Firm size, Family ownership, Industry, Age, Profitability	Descriptive Multiple Regression Analysis	Sig: All independent variables

Shuro & Stainbank (2014)	South Africa	Dep: Socially Responsible Investment Index Ind: Industry type (mining vs manufacturing)	T-test	Sig: Industry, mining industry have more disclosures
Kilic (2015)	Turkey	Dep: Unweighted Disclosure Index Ind: Size, Ownership structure, Multiple exchange listing, Internationality	Descriptive Content Analysis	Sig: Size, Ownership structure (listed vs unlisted), Multiple exchange listing Insig: Internationality
Alotaibi & Hussainey (2016)	Saudi Arabia	Dep 1: Unweighted Quantitative CSR index Dep 2: Weighted Qualitative CSR index	Descriptive Correlation Matrix Multiple Regression Analysis	Sig (Quantitative): Board size, Govt. ownership, Audit committee size, Remuneration committee size Sig (Qualitative): Board size, Independent directors, Managerial ownership
Chakroun, Matoussi & Mbirki (2017)	Tunisia	Dep: Unweighted CSRR index Ind: Size, Foreign shareholding, Auditor type, Age, State shareholding, Financial performance	Descriptive Multiple Regression Analysis	Sig: Age, State shareholding, Financial performance Insig: Size, Foreign shareholding, Auditor type
Tavares & Rodrigues (2018)	Portuguese	Dep: Unweighted Sustainability disclosure Index Ind: Size, Industry, Certifications, Awards, Visibility	Descriptive T-Student test ANOVA	Sig: All independent variables
Aggarwal & Singh (2019)	India	Dep: SRI Index Ind: Size, Ownership structure, Profitability, Industry	T-test ANOVA Pearson Correlation	Sig: Size, Industry Insig: Ownership structure, Profitability
Fallah & Mojarrad (2019)	Iran	Dep: CSR index Ind: Board size, Age, Board tenure, CEO duality, Ownership concentration, Audit committee, Non-executive directors	Correlation Multiple Regression	Sig: Board tenure, Non-executive directors Insig: Board size, Age, CEO duality, Ownership concentration, Audit committee

### 3.3.3 CSRR Analysis in Pakistan

CSRR is an emerging topic in Pakistan that has received minimal academic attention compared to other developing countries such as Malaysia, India, and Bangladesh. Generally, CSRR research in Pakistan has followed a similar approach to the other developing countries. CSRR studies in Pakistan are primarily causal or correlational and they have focused on examining the determinants of CSRR. There is an absence of a CSRR framework to guide CSRR practices in Pakistan. Equally, a CSRR index to evaluate the extent and quality of CSRR is currently lacking in a Pakistani context. This section provides an overview of the CSRR literature in Pakistan and identifies the gaps in the literature.

Sharif and Rashid (2014) investigated the relationship between corporate governance attributes and CSRR in the banking industry of Pakistan. This study adopted a CSRR index from studies conducted in developed countries (Cowen et al., 1987; Gray et al., 1995a; Guthrie & Parker, 1989; Guthrie & Parker, 1990). The CSRR index consisted of 60 unweighted items that were relevant to the banking industry. The study found low levels of CSRR in Pakistan. The authors reported a positive relationship between non-executive directors, firm size, leverage, profitability, and CSRR in the case of commercial banks in Pakistan.

Lone et al. (2016) conducted a similar study to that of Sharif and Rashid (2014) to examine CSRR practices in 50 listed companies from eight different industries. The study investigated the relationship between corporate governance factors and the extent of CSRR. The authors used an unweighted CSRR index to evaluate the extent of CSRR. The results suggested a positive association between CSRR and industry type, independent directors, female directors, and board size in Pakistan. However, unlike Sharif and Rashid (2014), Lone et al. (2016) found no association between size, leverage, profitability, and CSRR. Similarly, Syed and Butt (2017) examined the financial and non-financial determinants of CSRR in 52 listed firms. The study examined five variables including ownership structure, size, profitability, risk, and industry. They reported a positive relationship between family ownership, size, profitability, industry, and the extent of CSRR.

Khan, Khan, and Senturk (2019) examined the impact of board diversity characteristics on the quality of CSRR. Following the trend in Pakistani CSRR studies, the study adopted 20 unweighted CSRR items from another study (i.e. Saleh, Zulkifli, & Muhamad, 2011). The findings suggested a significant association between the gender composition, national diversity,

and age diversity of the board, and the quality of CSRR, whereas the impact of educational level and background, board tenure, and ethnic diversity were insignificant.

Apart from these studies, researchers have conducted sector-specific CSRR studies as well. The studies have investigated CSRR and its determinants in SMEs (Ikram et al., 2019; Mahmood, Kouser, & Iqbal, 2017), the aviation industry (Kemp & Vinke, 2012), the finance industry (Mukhtar, 2016), and plantation and consumer products (Tufail, Kamran, Ahmad, & Anwar, 2017). Kemp and Vinke (2012) examined the extent of CSRR in Pakistan's aviation industry. Using the content analysis technique, the study found a very low extent of CSRR with only 33% of the sample companies disclosing their CSRR activities. Similarly, Mahmood et al. (2017) conducted survey questionnaires and interviews to analyze the extent of CSRR in SMEs in Pakistan. Again, the study reported a very low extent of CSRR in the SME sector as a result of weak economic conditions, insufficient regulatory pressure, lack of implementation and monitoring mechanisms, and lack of stakeholder and government support towards CSRR (Kemp & Vinke, 2012; Mahmood et al., 2017). Studies in other sectors, such as the finance industry (Mukhtar, 2016), and plantation and consumer products (Tufail, Kamran, Ahmad, & Anwar, 2017) have also been conducted. Overall, this body of literature has advanced knowledge of CSRR in Pakistan. That said, some gaps have been identified which form the focus of the next section's discussion.

#### ***3.3.3.1 Gaps in the CSRR Research in Pakistan***

The review of CSRR literature in Pakistan has revealed several limitations. Of foremost importance is the adoption of CSRR indices, which have been developed in and for western contexts (for instance, Sharif & Rashid, 2014; Khan et al., 2019). As discussed in chapter 2, Pakistan has a unique socio-economic, political, religious, and cultural context, and the issues it is grappling with are of a different nature and intensity. As various researchers have argued, CSR and CSRR are context-specific phenomena (Belal & Owen, 2007; Chapple & Moon, 2005; Tilt, 2016; Visser, 2008), and CSR and CSRR in Pakistan must accommodate local contexts and issues, rather than overlook them. Hence, there is a need for a CSRR index that is based on relevant CSR issues in Pakistan, which would help in guiding and evaluating CSR and CSRR practices in the Pakistani corporate sector.

A second major limitation is that none of the studies in Pakistan have consulted stakeholders in the CSRR indices they have used, which misses the opportunity of accommodating the CSRR expectations of these stakeholders. Given that stakeholder groups such as investors,

employees, regulators, and customers are the main users of CSRR (Lydenberg & Wood, 2010), it is argued that any CSRR index used should incorporate the information needs of stakeholders. A third issue is that although the implications of Islam on CSR have been investigated at a theoretical level (Dusuki, 2008; Mohammed, 2007; Williams & Zinkin, 2010), no empirical considerations have been given to Islamic prescriptions for CSR and CSRR. A CSRR index that is based on stakeholders' perspectives and Islamic prescriptions would provide a more realistic basis on which to evaluate CSRR in Pakistan. Indeed, Golob and Bartlett (2007) suggest that CSRR information that is based on the needs of stakeholders enhances its materiality, relevance, and information richness, and it facilitates corporate transparency and accountability. Building on this argument, this study engages participants from eight different stakeholder groups and incorporates Islamic teachings in the construction of the framework and the CSRR index, given the fundamental influence of Islam in Pakistan.

Previous CSRR studies in Pakistan (for instance, Majeed, Aziz, & Saleem, 2015; Bae, Mauds, & Kim, 2018; Rafique et al., 2018; Khan et al., 2019) have adopted an unweighted binary approach to evaluating CSRR by assigning equal weights to each item in the disclosure index. The current study uses a weighted approach by assigning weights to the items based on their relative importance as determined by the stakeholder responses collected. This approach has been used in other studies as well (Hooks, 2000; Liu, 2014). Another major limitation in the current literature is the tendency to focus on the extent rather than the quality of CSRR. This study seeks to address this gap by adopting the 1-5 Likert scale quality criterion by Firer and Williams (2005) to evaluate the quality of CSRR practices in Pakistan. Finally, the findings of previous studies on the determinants of CSRR are inconclusive. For instance, Sharif and Rashid (2014) reported a significant association between firm size, leverage, profitability, and CSRR, whereas Lone et al. (2016), who examined the same context, failed to detect this association. In this regard, this study contributes to the extant literature by providing current and updated empirical evidence from Pakistan by re-examining the determinants of CSRR.

Table 3.3 presents a summary of the CSRR research conducted in Pakistan.

**Table 3.3: CSRR studies in Pakistan**

Study	Variables	Methods	Findings
Kemp & Vinke (2012)	Descriptive study	Content Analysis	CSRR in the Pakistani aviation industry is very low (33% of the sample reported on CSRR), due to low economic growth and immense corruption.
Majeed, Aziz & Saleem (2015)	Dep: Unweighted CSR disclosure index (40 items) Ind: Board size, Independent directors, Foreign national directors, Female directors, Ownership concentration, Institutional ownership, Size, Profitability	Content Analysis Multiple Regression Analysis	Sig: Board size, Independent directors, Foreign nationals, Female directors, Ownership concentration, Institutional ownership, Size, Profitability
Ali, Sandhu, Iqbal & Tufail (2016)	Dep: CSR Disclosure Index (from earlier studies and GRI) Ind: Multiple directorships, Non-executive directors on board, Non-executive directors in audit committee, Size, Profitability, Environmental sensitivity	Content Analysis Multiple Regression Analysis	Sig: Multiple directorships, Size, Profitability, Environmental sensitivity Insig: Non-executive directors on board, Non-executive directors in the audit committee
Mukhtar (2016)	Dep: Organizational Performance Ind: CSRR (Stakeholder relations, Philanthropy,	Survey Method Correlation Regression analysis	Sig: Stakeholder relations, Philanthropy, Environment Insig: Legal compliance

	Legal compliance, Environment)		
Mahmood, Kouser & Iqbal (2017)	Descriptive study	Survey Method Interviews	CSRR in Pakistani SMEs is very low due to lack of awareness, lack of training and skills, low regulatory pressure, lack of stakeholder demand, and insufficient government support.
Tufail, Kamran, Ahmad & Anwar (2017)	Dep: CSR Disclosure Ind: Profitability, Size, Financial leverage	Content Analysis Pearson Correlation Chi-Square	Sig: Size Insig: Profitability, Financial leverage
Bae, Masud & Kim (2018)	Dep: Unweighted Sustainability Index (from GRI indicators) Ind: Foreign shareholding, Institutional shareholding, Director shareholding, Outsider directors, Board size, Board independence, Leverage, Size, ROA	Content Analysis Correlation Multiple Regression Analysis	Sig: Foreign shareholding, Institutional shareholding, Director shareholding, Outsider directors, Board size, Board independence, Leverage Insig: Size, ROA
Rafique, Malik, Waheed & Khan (2019)	Dep: Unweighted Environmental Disclosure Ind: Independent directors, Female directors, Ownership concentration, Board size	Correlation Regression Analysis	Sig: Independent directors, Ownership concentration, Board size Insig: Female directors

### 3.4 Preliminary CSRR Index

The review of CSRR studies has facilitated the selection of CSRR items for the preliminary CSRR index. The CSRR items were selected from international frameworks, guidelines, and studies conducted in developed countries (Abbott & Mosen, 1979; Hackston & Milne, 1996; Holder-Webb et al., 2009; Wiseman, 1982; Newell & Frynas, 2007) and in developing countries (Hossain et al., 2006; Narwal, 2007; Majeed, Aziz, & Saleem, 2015; Sharif & Rashid, 2014; Suttipun, 2012; Syed & Butt, 2017). As a result, a preliminary CSRR index comprising a wide range of CSRR items that closely link to the socio-environmental and economic issues of Pakistan (as discussed in Chapter 2) was developed.

The preliminary CSRR index consists of 52 items. These items are categorized under five major CSR areas or dimensions: community, environment, employees, energy, and product/customer (Hackston & Milne, 1996; Hossain et al., 2006). The preliminary CSRR index developed through the review of CSRR literature and international CSRR frameworks is presented in Table 3.4.

**Table 3.4: Preliminary CSRR index**

	<b>Community</b>	<b>Source</b>
1	Setting up hospitals and healthcare centers for the local community	Hossain et al (2006)
2	Establishing universities, colleges, or other educational institutions	Abbot & Mosen (1979)
3	Providing scholarships and academic sponsorship to meritorious or/and needy students	Hackston & Milne (1996)
4	Providing scholarships to physically challenged students	Sharif & Rashid (2014)
5	Sponsoring educational conferences and seminars	Hackston & Milne (1996)
6	Sponsoring national and international games and events	Sharif & Rashid (2014)
7	Organizing skill development projects for the local community	Narwal (2007)
8	Constructing roads and other infrastructure for the local community	Newell & Frynas (2007)
9	Constructing parks and other recreational facilities for the community	Hossain et al. (2006)
10	Creating part-time job opportunities for students	Hackston & Milne (1996)
11	Arranging summer internship programs for students	Sharif & Rashid (2014)

12	Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)	GRI (G4), Holder-Webb et al. (2009), Sharif & Rashid (2014)
13	Providing support to acid and/or dowry victims	Majeed, Aziz & Saleem (2015)
	<b>Environment</b>	
14	Having an environmental protection policy	Wiseman (1982)
15	Incorporate environmental concerns in business decisions	Suttipun (2012)
16	Environmental conservation through the use of recycled raw materials	GRI (G4)
17	Having a recycling plant in the factory	Hossain et al. (2006)
18	Air emission information e.g. hazardous gases emitted	GRI (G4)
19	Water disposal information	GRI (G4)
20	Waste disposal information	GRI (G4)
21	Participation in anti-litter campaigns to protect the environment	Hackston & Milne (1996)
22	Sponsoring private or public initiatives to protect the environment	Hossain et al. (2006)
23	Promoting environmental awareness to the community through promotional tools	Majeed, Aziz & Saleem (2015), Syed & Butt (2017)
24	Receiving awards for environmental protection efforts	Sharif & Rashid (2014)
25	Tree plantation initiatives	Hossain et al. (2006), Sharif & Rashid (2014)
	<b>Employees</b>	
26	Efforts to eliminate pollutants and hazardous elements in the workplace	Hackston & Milne (1996)
27	Organizing safety training for employees	GRI (G4)
28	Efforts to improve on-the-job work safety	Holder-Webb et al. (2009)
29	Information about on-the-job accidents and injuries	GRI (G4)
30	Efforts to reduce child labor and related actions	UNGC COP
31	Arranging informative seminars and workshops for employees	Holder-Webb et al. (2009)
32	Arranging recreational events for employees (sports, tours, etc.)	Hackston & Milne (1996)
33	Sponsoring education for employees	Hackston & Milne (1996)
34	Employees' housing schemes	Hackston & Milne (1996)
35	Providing health facilities to employees and their families	Majeed, Aziz, & Saleem (2015)
36	Pension funds and bonuses for employees	Hackston & Milne (1996)
37	Stock options for non-managerial employees	Suttipun (2012)
38	Daycare facilities, maternity and paternity leave	GRI (G4)
39	Information about the number of employees in the organization	GRI (G4)

40	Gender and minority based statistics	GRI (G4)
41	Employment policies for physically challenged people	Majeed, Aziz & Saleem (2015)
42	Statements showing compliance with the labor laws	GRI (G4)
	<b>Energy</b>	
43	Efforts to reduce energy consumption by installing energy-saving facilities	GRI (G4)
44	Disclosing energy conservation policies	Syed & Butt (2017)
45	Efforts to conserve energy in business operations	GRI (G4)
46	Meeting energy needs by using waste materials as a source of energy	Hackston & Milne (1996)
47	Voicing concerns about energy shortages	Syed & Butt (2017)
	<b>Product</b>	
48	Information about product development, packaging, and labeling	Hackston & Milne (1996)
49	R&D projects to improve product quality	Hackston & Milne (1996)
50	Information about meeting quality standards	Abbot & Monsen (1979)
51	Product meets safety standards	Hackston & Milne (1996)
52	Improvement of customer services and support	Sharif & Rashid (2014)

### 3.5 Conclusion

This chapter has presented a detailed review of the CSRR literature in developed and developing countries. Corporate reporting has continuously evolved over the years from simple financial statements to a more comprehensive model incorporating issues relating to governance, the environment, and sustainability. The emergence of CSR and, subsequently CSRR, can be traced back to the industrial revolution when corporations were criticized for polluting the environment and exploiting the labor segment through offering poor working conditions and by engaging child and female labor. These issues stimulated demands by stakeholders to discharge and communicate corporate social and environmental responsibilities to ensure accountability and transparency. Further, the role of global organizations such as the UN in the development of CSR, and GRI, UNGC, and IIRC in providing reporting frameworks and guidelines are notable. The reviewed studies indicate that a major proportion of corporations around the world are actively implementing CSRR.

Due to the growing significance of CSR and CSRR, studies exploring CSRR in terms of CSRR indices, and factors influencing CSRR, have grown exponentially. A review of the CSRR literature suggests that studies in developing countries have adopted CSRR indices constructed in developed countries, with their contextual issues and attributes, which are different from those in developing countries. A majority of these studies have used unweighted disclosure indices to evaluate the extent of CSRR, an approach that is contrary to the recommendation by various researchers to use weighted disclosure indices to incorporate the relative importance of CSRR items. The need to recognize the varied importance of CSRR items has already been discussed in this thesis and, as such, it uses a weighted CSRR index to assess the extent of CSRR.

The review of prior research also indicates that CSRR research has primarily focused on developed countries and certain developing countries, including Bangladesh, India, Malaysia, and some Middle Eastern countries. CSRR research on Pakistan is scant and consistent with the approach of other studies conducted in developing countries that adopt CSRR indices without giving due consideration to context-specific issues and local stakeholders' perspectives. Most importantly, these CSRR studies have measured the extent (quantity) of CSRR, and, almost all of them have attempted to evaluate the quality of CSRR. To address the limitations identified in CSRR studies on Pakistan, the current study develops a Pakistan-specific weighted CSRR index in consultation with local stakeholders to evaluate the extent and quality of CSRR in Pakistan. It also examines the influence of various company-specific factors on the extent of CSRR, for which the results in prior research are mixed and inconclusive. The next chapter presents the theoretical framework applied in this study.

## Chapter Four

### Theoretical Framework

#### 4.1 Introduction

A theoretical framework is an orientation or a way to look at a social phenomenon or construct (Neuman, 1991). As a set of interrelated constructs, concepts, definitions, expectations, or assumptions, a theoretical framework guides and informs a research project (Creswell, 2003; Maxwell, 2005). It is an integral component of research and is considered the blueprint for the research process (Osanloo & Grant, 2014). This chapter presents the theoretical framework adopted in this study, which is an integration of five well-established theories: stakeholder theory, legitimacy theory, signaling theory, agency theory, and institutional theory. Although it is possible to conduct a study without formally theorizing the research (Gray et al., 2010), the inclusion of a theoretical framework facilitates a more sophisticated conceptualization of the research (Melendez, 2002; Osanloo & Grant, 2014), derived from an awareness of the advantages, limitations, and assumptions inherent in each theoretical lens used.

Gray et al. (2010) emphasize the need for theory to effectively explain and evaluate CSR and CSRR practices. CSR studies have drawn on a range of theories, such as stakeholder theory, legitimacy theory, institutional theory, signaling theory, and agency theory, to explain CSR and CSRR (Hunjra et al., 2021; Li & Mitra, 2020; Nair & Bhattacharayya, 2019; Davey et al., 2019; Fernando & Lawrence, 2014; Guthrie & Parker, 1989; Islam & Deegan, 2008; Omran & Ramdhony, 2015; Rao & Tilt, 2016; Reverte, 2009; Roberts, 1992). However, as Deegan (2002) argues, a single theory cannot explain CSR and CSRR fully and reports a variation in the theories applied in CSR studies (see also Cormier et al., 2005; Deegan, 2002; Gray et al., 1995b; Omran & Ramdhony, 2015). Hence, several studies have suggested employing more than one theory to get a fuller, more in-depth understanding of CSR and CSRR (for instance, An et al., 2011; Fernando & Lawrence, 2014; Frynas & Yamahaki, 2016). As these theories are not competing but overlap and share common characteristics (An et al., 2011; Chen & Roberts, 2010), an integration of the theories into a single framework can offer complementary insights about CSR and CSRR practices (Frynas & Yamahaki, 2016). Based on these premises, the current study integrates five theories in its theoretical framework to understand and interpret the CSRR practices in Pakistan.

The chapter is structured as follows. Section 5.2 presents a discussion of the prominent theories that have been widely used to explain CSRR. This is followed by the development of an integrated theoretical framework that is adopted in this study in section 5.3. Section 5.4 discusses the appropriateness of the integrated theoretical framework for Pakistan. Finally, section 5.5 summarizes and concludes the chapter.

## **4.2 Theories Explaining CSRR**

In this section, the researcher reviews the key concepts of the theories that have been used in CSRR research. Stakeholder theory has been widely used in accounting research (Fernando & Lawrence, 2014; Gray et al., 1995b; Morsing & Schultz, 2006; Sweeney & Coughlan, 2008), and is the main theoretical lens adopted in this study the aim is to develop a stakeholder-based CSRR framework for Pakistan. Other theories that complement stakeholder theory, including legitimacy theory, signaling theory, agency theory, and institutional theory, will also be discussed as they have been embedded in the theoretical framework employed in this study.

### **4.2.1 Stakeholder Theory**

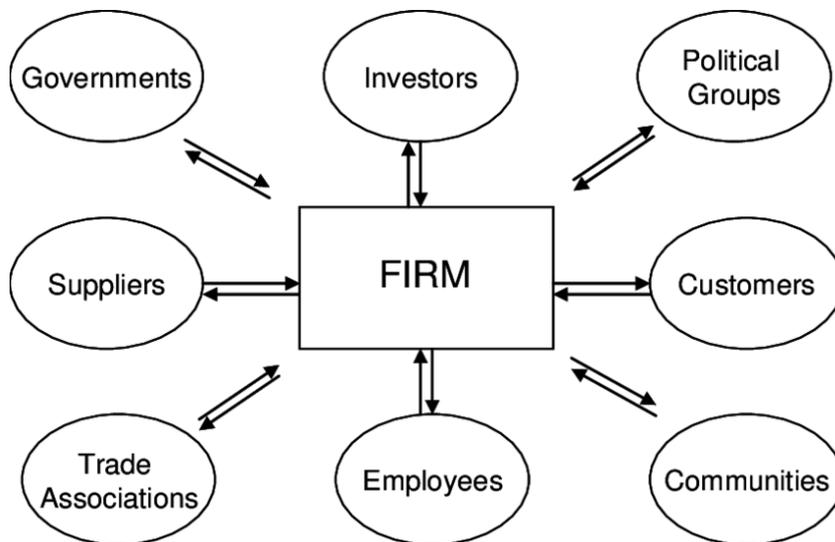
Stakeholder theory began to rise in popularity during the mid-1980s (Jamali, 2008). Although the term stakeholder was first coined in 1963 at the Stanford Research Institute (Freeman & Reed, 1983), Freeman's (1984) classic work provided a foundation to define, model, and theorize the approach now known as stakeholder theory (Clarkson, 1995). Traditionally, organizations were expected to maximize value for shareholders and to discharge accountability only to the shareholders of a firm. However, this was a simplified approach as stated by Pruzan (1998):

..... focusing on just one stakeholder (the shareholders) and one criterion for performance (profitability) leads to an enormous simplification compared to having to deal with [a] multiple of stakeholders each characterized by their own values with respect to their interplay with the corporation (p. 1379).

Stakeholder theory expands the scope of an organization's responsibilities from shareholders to a range of stakeholders (Amaeshi & Adi, 2007). It maintains that organizations operating in a broader social system should meet the expectations of, and be accountable to, the various stakeholder groups of a firm (An et al., 2011; Deegan, 2002; Jamali, 2008; Simmons, 2004). Stakeholder theory emphasizes the importance of corporate social and environmental responsibilities along with the primary objective of wealth maximization for shareholders (Enquist, Johnson, & Skålén, 2006).

Over the years, authors have proposed several definitions for a stakeholder (Kaler, 2002). One of the most cited definitions is by Freeman (1984), who defines a stakeholder as “*any group or individual who can affect or is affected by the achievement of the firm’s objectives*” (p. 49). An organization’s stakeholders can be groups or individuals such as shareholders, employees, communities, suppliers, customers, media, government, and so on (Goodpaster, 1991). Donaldson and Preston (1995) have presented a model which illustrates that various stakeholder groups both influence and are influenced by corporate operations:

**Figure 4.1: Stakeholder Model**



Source: (Donaldson & Preston, 1995)

As with Freeman’s definition of a stakeholder, organizations are expected to discharge accountability to their stakeholders (Alkhafaji, 1989; Freeman, 1984). Accountability is one of the central features of stakeholder theory, defined as “*the responsibility of being answerable to audiences for performing up to prescribed standards that are relevant to fulfilling obligations, duties, expectations and other charges*” (Schlenker, 1986). It is the responsibility that one party accepts to perform delegated tasks from another in a certain relationship (Mulgan, 1997). From an accounting perspective, accountability is the duty of an organization to communicate all the relevant information (e.g. financial information, CSR disclosures) to help recipients of this information to make appropriate decisions (An et al., 2011).

However, there is still confusion as to whom organizations are accountable (O’Riordan & Fairbrass, 2008). Several attempts have been made to classify stakeholders in different ways. For instance, Goodpaster (1991) categorized stakeholders as strategic and moral stakeholders. Wood (1994) divides stakeholders into single-issue and multiple issues stakeholders while Clarkson (1995) divides stakeholders into primary and secondary stakeholder groups. Mitchell, Agle, and Wood (1997) categorized stakeholders into eight groups based on their salience as determined by their level of power, legitimacy, and urgency. Lépineux (2003), who categorized stakeholders into shareholders, internal stakeholders, operational partners, and the social community, provided another way of classifying stakeholders. Friedman and Miles (2002) proposed four categories of stakeholders based on contractual relationships and levels of interest between organizations and their stakeholders.

The different models of classifying stakeholders are summarized below in Table 4.1

**Table 4.1: Stakeholders Classification Models**

Researchers	Stakeholder Categorization Schema
(Goodpaster, 1991)	Strategic stakeholders: who can affect the organization Moral stakeholders: who are affected by the organization
(Wood, 1994)	Singe-issue stakeholders: who focus on a single aspect of firm operation Multiple-issue stakeholders: who focus on multiple aspects of firm operations
(Clarkson, 1995)	Primary stakeholders: who are highly important for organizational survival Secondary stakeholders: who are not very crucial for organizational survival
(Lépineux, 2003, as cited in Liu, 2014)	Shareholders: who provide capital for business operations Internal stakeholders: who take an active part in internal operations Operational partners: who assist externally in corporate operations Social community: general citizens, government authorities
(Friedman & Miles, 2002)	Group 1: Necessary relationship and compatible interests Group 2: Necessary relationship and incompatible interests Group 3: Contingent relationship and compatible interests Group 4: Contingent relationship and incompatible interests

Given that there are so many ways of categorizing stakeholder groups, the question arises as to which stakeholder group should organizations, with their limited resources, discharge accountabilities. This question may be answered by the two contrasting

corporate motives behind CSR: the instrumental perspective and the normative perspective. The normative perspective of CSR posits that CSR issues deserve moral and ethical consideration in their own right, rather than being approached as a profit-maximizing strategy (Amaeshi & Adi, 2007). This perspective closely aligns with Donaldson and Preston's (1995) ethical branch of stakeholder theory. The ethical or moral branch of stakeholder theory advocates accountability towards all stakeholder groups rather than just the powerful stakeholders irrespective of any financial motives (Deegan & Unerman, 2006; Hasnas, 1998). In other words, corporations should be "good for goodness sake" (Amaesha & Adi, 2007, p. 3), and be accountable to treat stakeholders equally (Gray et al., 2010), even if it does not lead to any financial returns (Hasnas, 1998). Similarly, in terms of CSRR, all the stakeholders have an equal right to information disclosure and shareholders should not have any information advantage over other stakeholders (Ali & Rizwan, 2013; Hasnas, 1998). Thus, an organization should disclose all types of information such as financial, social, or environmental disclosures to the extended stakeholder groups even if they may not want to utilize that information.

In contrast, the instrumental perspective of CSR considers corporate concerns for stakeholders (such as CSR) as a means to achieving improved financial performance (Amaeshi & Adi, 2007). It views CSR as a marketing ploy to achieve competitive advantage (Branco & Rodrigues, 2006), to improve the image and reputation of the firm (Jamali & Sdiani, 2013), and ultimately to maximize profits (Garriga & Melé, 2004; Van Beurden & Gössling, 2008). In this way, the instrumental perspective of CSR links with the managerial (positive) branch of stakeholder theory proposed by Donaldson and Preston (1995). The managerial branch of stakeholder theory considers CSR as a strategic activity aimed at powerful stakeholders. It suggests that corporations should take into consideration only the concerns of powerful stakeholders who control critical resources and who help in wealth maximization (Deegan, 2002; O'Dwyer, 2002). The managerial branch of stakeholder theory holds that, with respect to information disclosure, companies should prioritize accountability to powerful stakeholders first and fulfill their information needs before the needs of others (Deegan & Unerman, 2006; Gray et al., 1996).

Stakeholder theory has strong implications for CSR and CSRR. It suggests that corporations need to consider the wider set of stakeholders at large and it determines the scope of corporate accountability in terms of CSR and CSRR. Stakeholder theory helps to explain the corporate intent behind CSR and CSRR. It holds that there are two main

motivations for corporate involvement in CSR and CSRR. First is the ethical imperative that perceives CSR as a moral duty towards society, and which encourages corporations to look after society and its various stakeholders regardless of financial outcomes (Graafland & Van de Ven, 2006). In contrast, the strategic view considers CSR and CSRR as a marketing tool to improve corporate reputation, achieve legitimacy, and hence gain financial returns in the long run (Graafland, 2002). Through CSRR, organizations fulfill their moral obligations to society, manage their relationships with stakeholders, reduce information asymmetry, and maintain their corporate image to gain a competitive advantage (Thorne, Mahoney, & Manetti, 2014). Stakeholder theory has been widely adopted to interpret the CSRR practices of an organization and to empirically examine the determinants of CSRR. Examples of these studies include Roberts (1992), Reverte (2009), Tagesson, Blank, Broberg, and Collin (2009), and Omran and Ramdhony (2015). Stakeholder theory guides the theoretical approach of this thesis in the following ways. First, using the stakeholder taxonomies derived from this theoretical framework, the researcher identifies different stakeholder groups that can influence or are influenced by CSR and CSRR practices in Pakistan. Following the stakeholders' classification models presented in table 4.1, the stakeholder groups identified in this thesis include managers, customers, religious clerics, investors, employees, auditors and accountants, government regulators, and academicians, all of whom have significant connections with CSR and CSRR in Pakistan. For instance, corporate managers are significant stakeholders as they are the people who design and implement CSR and CSRR policies to fulfill their social and ethical duties towards other stakeholders and to achieve corporate goals (Jo & Harjoto, 2012). Their input offers critical insights into the CSRR framework for Pakistan. Customers are another important stakeholder group as their purchasing intentions are also influenced by CSR and their input sheds light on consumer expectations of CSRR (Luo & Bhattacharya, 2006). As previously noted, with Pakistan being a highly religious country and religious teachings exerting immense influence on society and business conduct, including CSR, the perspectives of religious clerics are also important to consider. The views of local stakeholders that are influenced by their social, cultural, and religious norms and values make the development and implementation of the CSRR framework more local and context specific rather than relying on western interpretations. The theoretical lens of stakeholder theory helps to explain differences in the importance (weightings) various stakeholder groups assign to CSRR dimensions and items. The

process of allocating different weights to different CSRR dimensions and items serves to highlight which dimensions of CSRR each stakeholder group deems important, and which ones require immediate corporate attention. Both the ethical and managerial branches of stakeholder theory facilitate a critical evaluation of CSRR and the process of determining if certain stakeholder groups take priority over others concerning CSRR. In turn, this may help to determine the primary and secondary stakeholders for CSRR in Pakistan, which will then guide the recommendations proposed by this thesis for corporations. The moral and strategic perspectives of stakeholder theory provide a theoretical grounding for the findings derived in this study regarding the corporate intent behind the CSRR practices in Pakistan.

Closely aligned to stakeholder theory is legitimacy theory, which explains the relationship between an organization and the overall society in which it operates (An et al., 2011). The two theories complement each other to enrich the understanding of CSR and CSRR (Deegan, 2002). However, legitimacy theory has a relatively broader context compared to stakeholder theory as it deals with society at large. Thus, the researcher also refers to legitimacy theory to provide a holistic picture of CSRR practices in Pakistan.

#### **4.2.2 Legitimacy Theory**

Legitimacy theory provides a societal-level view by examining the relationship between an organization and the overall society in which it operates (Chen & Roberts, 2010). A central assumption of legitimacy theory is that organizations need to ensure they are operating in conformity with the expectations of their respective societies (Deegan, 2002). The alignment of organizations to societal norms and values ensures their legitimacy and license for continued operations (Deegan, 2002; Guthrie, Petty, & Ricceri, 2006). Lindblom (1994) defines legitimacy as:

...a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy (p. 2).

Legitimacy theory suggests the existence of a social contract between society and the organization (Deegan, 2002; Reverte, 2009) wherein the organization is expected to operate in alignment with society's expectations. According to Gray et al. (1996), the terms of this contract can be both explicit (i.e. legal requirements) and implicit (community expectations). This concept of a social contract holds that organizations do not have inherent rights to resources such as labor, material, and capital (Deegan, 2003;

Mathews, 1993); rather, they need to earn these resources (Mathews, 1997). To do this, they must ensure that their value system and operations are in congruence with societal norms and expectations to gain legitimacy and maintain their existence (Deegan, 2002; Gray et al., 2010; Mathews, 1993).

However, societal norms and expectations are not static (Islam & Deegan, 2008; Lindblom, 1994), and maintaining an ongoing alignment between an organization's objectives and these norms can be challenging (Fernando & Lawrence, 2014). If an organization's operations become mismatched with societal expectations, this leads to a legitimacy gap that potentially puts the legitimacy of the organization at stake. As Lindblom (1994) explains:

The legitimacy gap will fluctuate without any changes in action on the part of the corporation. Indeed, as expectations of the relevant publics change the corporation must make changes or the legitimacy gap will grow as the level of conflict increases and the levels of positive and passive support decreases (p. 3).

Lindblom (1994) suggests four different strategies to bridge the legitimacy gaps between an organization and society. Organizations can: (a) educate and inform stakeholders about their performance, (b) change stakeholder perceptions about the underlying issue without changing the organization's actual behavior, (c) divert and deflect stakeholder attention from the underlying issue to a favorable issue, and (d) change the societal expectations that have prompted the legitimacy gap to begin with. These strategies help organizations to maintain and regain their legitimacy (Suchman, 1995) if there is a breach in the social contract between the organization and the society in which they operate.

There are several ways by which organizations may implement legitimizing strategies to minimize legitimacy gaps and regain their legitimacy. One way is through the public disclosure of CSR-related information (Deegan, 2002; Gray et al., 1995b; Lindblom, 1994). The proponents of legitimacy theory argue that organizations provide CSRR as a part of their dialogue with society to convince them that they are fulfilling their expectations (Branco & Rodrigues, 2008; Gray et al., 1995b). Much like the four strategies outlined by Lindblom (1994), CSRR can help organizations in different ways, such as communicating their changing behavior to the public, diverting their attention, or changing societal expectations (see also Branco & Rodrigues, 2008; Gray et al., 1995b). In this way, CSRR can be either defensive, where the aim is to respond to a legitimacy

threat, or be proactive, such as promoting an image of the organization as a socially conscious entity (O'Dwyer, 2002).

Legitimacy theory, with its wider application in the field of CSRR (Belal & Momin, 2009; Campbell, 2003; Deegan & Gordon, 1996; Gray et al., 1995b; Haniffa & Cooke, 2005; Lanis & Richardson, 2013; Nurhayati, Taylor, Rusmin, Tower, & Chatterjee, 2016; O'Donovan, 2002; Patten, 1991; Ratanajongkol et al., 2006; Reverte, 2009), complements stakeholder theory to inform the theoretical framework adopted in this study. Both stakeholder theory and legitimacy theory focus on the nexus between an organization and its environment (Neu, Warsame, & Pedwell, 1998), and advocate the notion of a social contract with terms that are derived from the expectations of various groups in the society (Deegan, 2002; Farook et al., 2011). Compared to stakeholder theory, legitimacy theory has a broader scope as it focuses on the society at large and provides a more holistic view (Cotter & Najah, 2012). This broader view is particularly helpful for this study's analysis and interpretations of CSRR practices in Pakistan. Legitimacy theory would help in explaining the importance of local factors and religious influence as to how religious norms and values could be used by corporations to legitimize their CSRR in Pakistani society. In this way, using the concept of legitimacy to the local context we might be able to effectively implement the CSRR framework in Pakistan.

While stakeholder theory focuses on a one-way delivery of accountability to stakeholders, legitimacy theory believes in a two-way interaction between organizations and society to discharge accountability and to gain and maintain legitimacy (An et al., 2011). Legitimacy theory posits that organizations should receive feedback from stakeholders to meet their expectations. In line with this argument, this thesis engages in a consultative process with various stakeholders to determine their demands and to evaluate the extent to which the CSRR practices of Pakistani corporations have addressed these demands. Legitimacy theory also provides an appropriate theoretical framework for determining whether CSRR in Pakistan is aimed at achieving symbolic legitimacy<sup>25</sup> or substantive legitimacy<sup>26</sup>.

Both legitimacy and stakeholder theories advocate the use of CSRR to gain legitimacy and the support of stakeholders. However, they do not indicate how CSRR may serve as

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<sup>25</sup> Symbolic legitimacy involves firms claiming to be socially responsible and sustainable but these claims are not supported by any substantive efforts to improve their sustainability (Richardson, 1985).

<sup>26</sup> Substantive legitimacy is where corporations perform concrete and verifiable activities which have a positive impact on their sustainability.

a medium to convince stakeholders and society at large to grant organizations the legitimacy to operate (An et al., 2011). This limitation is addressed by signaling theory which adds a further dimension to the theoretical framework adopted in this study.

### **4.2.3 Signaling Theory**

The emergence of signaling theory can be traced back to the key work by Spence (1973) on labor markets (Connelly, Certo, Ireland, & Reutzel, 2011). Signaling theory is closely related to the concept of information asymmetry between two parties (Spence, 2002). Information asymmetry is a condition in which one party in a relationship has more or better information than another (Akerlof, 1970). According to signaling theory, information asymmetry can be reduced if the party with the information advantage sends signals to the less informed party. For instance, using a labor market scenario to model the signaling function of education, Spence (1973) illustrates how a prospective employee can reduce information asymmetry by sending signals (such as college degrees) to the employer during the recruitment process. In this way, the employee distinguishes himself or herself from less eligible prospects by sending signals like the attainment of higher education qualifications. The signaling theory has been used in several disciplines such as management, accounting, and business ethics (Montiel, Husted, & Christmann, 2012; Rao, Qu, & Ruekert, 1999; Riley, 2001; Taj, 2016).

The concept of signaling can be easily illustrated from a business perspective. As management (agent) usually possesses more information than the principal (investors, creditors), information asymmetry issues may arise (Jensen & Meckling, 1976). Information asymmetry prevents investors from distinguishing between high-quality and low-quality firms. As a result, the high-quality firm incurs an opportunity loss as it could have attracted the investors by sending high quality signals. On the other hand, a low-quality firm stands to benefit from asymmetric information if the firm is selective about the signals it sends, which can boost its social status and legitimacy (Bird & Smith, 2005), corporate reputation, and prestige among competitors (Connelly et al., 2011; Hetze, 2016).

There are different channels through which companies can send signals to the market (Certo, 2003; Connelly et al., 2011; Filatotchev & Bishop, 2002). Several scholars suggest that CSRR is an appropriate channel through which firms communicate their social responsiveness to a variety of stakeholder groups (Ching & Gerab, 2017; Hetze, 2016; Lock & Seele, 2015; Mahoney, 2012). For instance, CSRR helps firms to send

signals to socially responsible investors about being ethical (Su, Peng, Tan, & Cheung, 2016), which helps in raising preferential investments (Sen, Bhattacharya, & Korschun, 2006) at a lower cost (Orlitzky, 2008). CSRR also serves to signal transparency and accountability to regulators, social activists, and the government as it covers the organization's production process and humane work environment (Su et al., 2016). Similarly, consumers receive corporate signals of premium quality through CSRR, and their buying behavior is influenced by these signals (Luo & Bhattacharya, 2006). Other stakeholder groups including suppliers, employees, and academicians also receive signals through CSRR, helping them in their decision-making process. Thus, signaling theory holds that corporations use CSRR to send signals to their stakeholders to gain their support, legitimize their operations, and adhere to their social contract with society.

This study incorporates signaling theory as it supports and explains how firms use CSRR as a signaling tool to communicate their compliance with societal norms and expectations. This theoretical lens provides depth to the interpretation of CSRR in Pakistan in different ways. Signaling theory provides a basis for an elaboration of stakeholder perspectives to determine whether CSRR in Pakistan is used to signal accountability and transparency or if CSRR is just a greenwashing mechanism (see Chapter 9 for details). This determination will help to shape the suggestions offered by this study for the improvement of CSRR as a signaling mechanism in Pakistan. It may also shed light on the empirical evidence gathered in relation to the determinants of CSRR in Pakistan in seeing whether companies with different attributes (e.g. size, age, profitability, etc.) provide the same signals to the market, or if they differ in their CSRR practices.

Another theory employed in this thesis is agency theory, which is closely linked to signaling theory as it also focuses on information asymmetry, and discusses the implications of asymmetric information. Both theories provide a theoretical framework for seeing the disclosure of voluntary information (Morris, 1987) as an effective signaling mechanism to reduce information asymmetry (Chiu & Wang, 2015) and to mitigate agency problems (Barako, Hancock, & Izan, 2006).

#### **4.2.4 Agency Theory**

Following the classic work of Coase (1937), and the ground-breaking study by Jensen and Meckling (1976), agency theory has been widely used across several fields, including economics, law, healthcare, management, and accounting (Eisenhardt, 1985; Jiang,

Lockee, & Fraser, 2012; Lambert, 2006; Lan & Heracleous, 2010). The foundation of agency theory lies in the relationship between the principal and the agent, in which the principal assigns tasks and decision-making authority to the agent and the agent is expected to work in the best interests of the principal (Eisenhardt, 1989; Jensen & Meckling, 1976). In a corporate setting, the shareholder/owner is the principal who provides funds, takes a risk, and offers incentives and management is the agent who manages corporate performance and makes decisions on behalf of the principal (De Villiers & Hsiao, 2018; Lambert, 2001).

In an agency relationship, the agent is expected to work in the best interests of the principal, which includes maximizing the principal's value (Jensen & Meckling, 1976). However, given that individuals are economically rational (Hadfield & Macedo, 2012) and have self-interests (Bergen, Dutta, & Walker Jr, 1992; De Villiers & Hsiao, 2018), managers may engage in opportunistic behavior and maximize their own value at the cost of the shareholders' wealth (Jensen & Meckling, 1976). In such a scenario, the interests of the two parties misalign, leading to mutual conflicts or agency problems. Information asymmetry is seen to play a key role in aggravating agency problems.

In an agent-principal relationship model, information asymmetry is the difference in the information held by the principal and agent. It is generally believed that the agent who looks after the daily affairs of the business has an information advantage over the principal (Sutaryo & Lase, 2015). To maximize his/her wealth, the agent would more likely withhold the information from the principal or manipulate it (Lassar & Kerr, 1996). For example, having an information advantage, the management of a company may overstate profits to obtain bonuses, and facilitate and indulge in insider trading to achieve personal goals. To mitigate agency problems, agency theorists (such as Fama & Jensen, 1983; Hill & Jones, 1992; Jensen & Meckling, 1976; Watts & Zimmerman, 1986) have suggested various control mechanisms that can be implemented to restrict management from pursuing their interests. However, employing these mechanisms incur agency costs for the principal.

Jensen and Meckling (1976) have categorized these costs as monitoring cost, bonding cost, and residual cost. The cost related to monitoring an agent's actions to ensure that he/she is acting in the principal's best interests is monitoring cost. Monitoring strategies may include an internal/external audit mechanism, the appointment of a board of directors, and performance evaluation systems (Eisenhardt, 1989; Fama & Jensen, 1983; Jensen &

Meckling, 1976; Watts & Zimmerman, 1986). The cost associated with mechanisms to mitigate agency conflicts between an agent and principal (such as compensation packages, promotions, and timely disclosure of financial statements) is bonding costs. Despite these mechanisms, it is believed that some misalignment between the agent's actions and the principal's interests may still exist (Hill & Jones, 1992). Other mechanisms are adopted to resolve this misalignment, incurring a residual cost. These costs add up to the overall cost for the principal, however, they are important to reduce information asymmetry and agency problems between an agent and principal.

Watson, Shrives, and Marston (2002) suggest that an agent who is well informed about the principal's monitoring and bonding mechanisms may try to convince the principal that he/she is acting in ways that serve the best interests of the principal. One way of doing this is to make additional disclosures in the form of voluntary reporting (Darus, Hamzah, & Yusoff, 2013; De Villiers & Hsiao, 2018; Ness & Mirza, 1991). Drawing from agency theory, studies suggest that voluntary disclosures (such as CSRR) help managers to mitigate information asymmetry, improve their relations with shareholders, and consequently reduce agency costs (An et al., 2011; Cho, Lee, & Pfeiffer Jr, 2013; Darus et al., 2013; Madhani, 2007; Martínez-Ferrero, Ruiz-Cano, & García-Sánchez, 2016; Patten, 2002; Watson et al., 2002). Indeed, many researchers have adopted agency theory as the theoretical underpinning of their CSRR research. For instance, Cotter, Lokman, and Najah (2011) assert that the primary motive for voluntary disclosures is to reduce information asymmetry and the related costs resulting from moral hazards and adverse selection. Kim and Kim (2014) also validate this point who suggest that management reduces agency costs by providing easy access to additional information in the form of CSRR. Furthermore, through higher CSRR, management signals greater transparency to investors, which reduces investor uncertainty, and facilitates the acquisition of capital at a lower cost (Dhaliwal, Li, Tsang, & Yang, 2014). Management may also use CSRR as a signaling medium to improve their communication with diverse groups of stakeholders, which helps to build and maintain a good corporate image, and consequently reduce information asymmetry between a corporation and its stakeholders (Kim & Kim, 2014). Other studies, such as Cho et al. (2013) and Chiang, Wachtel, and Zhou (2019), also support agency theory's interpretation of CSRR and suggest that companies adopt CSRR to reduce information asymmetry and its related agency costs.

Agency theory provides deep insights to understand the agent-principal relationship (or management-shareholders relationship). However, some researchers have criticized agency theory for its narrow scope and for failing to incorporate non-shareholder stakeholders. Indeed, stakeholder theory, which acknowledges the importance of non-shareholder stakeholders, may be considered as an advancement of agency theory but stakeholder theory fails to take into account a concept that is central to this thesis: information asymmetry. The employment of agency theory, however, can complement the limitations of stakeholder theory to explain CSRR as a corporate tool to reduce information asymmetry and to improve the relationship between an organization and its stakeholders. Agency theory provides additional theoretical tools to help in the identification, investigation, and interpretation of the determinants of CSRR in Pakistan, which is one of the core objectives of this study.

Finally, it is important to integrate institutional theory in the theoretical framework for examining CSRR as this theory explains the various institutional forces that influence the adoption of CSR and CSRR practices. In contrast to the other theories discussed, institutional theory suggests that CSRR may be an institutionalized phenomenon emerging within an organizational field (Bebbington, Unerman, & O'Dwyer, 2014), rather than an outcome of a rational corporate decision-making process. Hence, the institutional theory may provide a new angle on interpretations of CSRR practices, and this theory is discussed next.

#### **4.2.5 Institutional theory**

The institutional theory explains how different organizational practices adapt to similar practices within an organizational field<sup>27</sup> (DiMaggio & Powell, 1983; Fernando & Lawrence, 2014). The basic premise of institutional theory is that organizations within an organizational field face pressures from various institutional mechanisms that cause isomorphism or the homogenization of organizational practices and forms (Bebbington et al., 2014; DiMaggio & Powell, 1983). The adaptation of organizations within the organizational field (isomorphism) helps organizations to gain legitimacy, more resources, and survival capabilities in return (DiMaggio & Powell, 1983; Levi, 1990).

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<sup>27</sup> An organizational field is defined as “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983 p. 147).

DiMaggio and Powell (1983) classify institutional isomorphism into three components: coercive isomorphism, mimetic isomorphism, and normative isomorphism. Coercive isomorphism is homogenization in the organizational field in response to pressure from external powerful forces, such as regulators, foreign investors, or the media (Ali, 2014; DiMaggio & Powell, 1983; Meyer & Rowan, 1977). For instance, if regulators or investors demand CSRR from corporations, and they respond to it by producing more CSRR, it would bring some kind of coercive isomorphism in the organizational field. Mimetic isomorphism takes place when organizations try to imitate organizational practices that are considered legitimate (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983). For example, following the footprints of good CSRR companies, many small or newly established companies might try to imitate their CSRR to establish themselves in the industry, a process that causes mimetic isomorphism in the industry. Finally, in normative isomorphism, organizations internalize the shared norms and values of the field and try to follow rules and standards set by professional institutions such as accounting bodies, and the government (DiMaggio & Powell, 1983; Mizruchi & Fein, 1999; Teodoro, 2014; Tuttle & Dillard, 2007).

The institutional theory tries to link corporate practices to the norms of the society and the demands of powerful stakeholders (Deegan, 2009) driven by the need to gain legitimacy (Fernando & Lawrence, 2014). As discussed, legitimate institutional practices such as CSRR diffuse into the organizations operating within a certain field through coercion, imitation, and/or via normative pressure from regulatory, normative, or cognitive institutions (Ali, 2014; Deegan, 2009). Accounting researchers have widely used the concept of institutional isomorphism in social and environmental disclosure research to explain the adoption and institutionalization of CSRR in different contexts (such as Ali & Frynas, 2018; Amran & Haniffa, 2011; Darus et al., 2013; De Grosbois, 2016; De Villiers & Alexander, 2014; Matten & Moon, 2008). For instance, in the case of Malaysia, coercive pressure from the government in the form of new regulations has been reported as a driving force behind the adoption of CSRR (Amran & Devi, 2008; Othman et al., 2011). Institutional isomorphism holds that governments use rules and regulations to motivate companies to increase the amount of CSRR they provide in their annual reports. However, companies might also adopt CSRR even if there is no strong regulatory environment. In such cases, mimetic isomorphism can be the driving force for adopting and improving CSRR as companies seek to imitate the best practices of

legitimate corporations (Aerts, Cormier, & Magnan, 2006). Empirical evidence suggests that companies have increased the extent of CSRR as a result of mimicking their competitors (Darus, Arshad, Othman, & Jusoff, 2009; De Villiers & Alexander, 2014). Apart from coercive and mimetic isomorphism, normative isomorphism can also lead to the adoption and improvement of CSRR. For example, Ali and Frynas (2018) empirically proved that professional bodies and CSR-promoting institutions play a key role in stimulating CSRR.

The aforementioned studies, as well as other empirical studies such as De Grosbois (2016) and Amran and Siti-Nabiha (2009), assert that CSRR can be explained using institutional isomorphism. The context of Pakistan provides a unique opportunity to examine the concept of CSRR through institutional theory as Pakistan has strong normative forces (such as religion and culture) and weak coercive forces (lack of regulation, weak implementation, and corruption). The use of institutional theory in this study enables the researcher to discuss how the institutional factors in Pakistan could help in the improvement of CSRR practices in Pakistan. An exploration of the role of these forces in influencing CSRR practices in Pakistan has yet to be undertaken and is a knowledge gap addressed by this thesis.

A summary of the theories is presented in table 4.2.

**Table 4.2: Core Concepts of the Theories**

Theories	Core Concepts
Stakeholder theory	Wider stakeholder groups Organization-stakeholders relationship Accountability & transparency
Legitimacy theory	Social contract Societal norms and values Organizational legitimacy Accountability & transparency
Signaling theory	Information asymmetry Information signaling
Agency theory	Principal-Agent relationship Self-interest & value maximization Agency problems & costs Information asymmetry
Institutional theory	Organizational field

	Institutional isomorphism (coercive, mimetic, and normative) Institutional legitimacy
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### 4.3 Theoretical framework-An integrative approach

To develop a holistic theoretical framework, it is important to integrate the various concepts of the five theories discussed, which provide complementary explanations of CSRR. The common features of these theories and their integration are presented below.

#### 4.3.1 Interrelation between the Theories

The practice of combining the common or interrelated concepts of different theories to develop an integrated theoretical framework is not new in CSRR research. Several CSRR studies have used this approach to explain the extent, quality, motivation, and factors influencing CSRR practices (Fernando & Lawrence, 2014; Golob & Bartlett, 2007; Gray et al., 1995b; Reverte, 2009; Tagesson et al., 2009). In line with these studies, this thesis weaves together the strands of multiple theories to develop an integrated theoretical framework. This section outlines the common strands of these theories and fleshes out the integrated theoretical framework that is subsequently developed here to explain CSRR practices in Pakistan.

The organization-stakeholders relationship model is a concept central to both agency and stakeholder theory. However, as already discussed, the scope of agency theory can be considered narrow and limited, as it primarily focuses on the interests of shareholders and overlooks the importance of other potential stakeholders who may also provide critical resources to the organization. Stakeholder theory has a much broader scope in acknowledging the interests of wider stakeholder groups. While agency theory is useful for foregrounding the reasons why corporations may engage in CSRR, stakeholder theory offers additional insights by highlighting the role and importance of CSRR in discharging accountability towards various stakeholder groups and in improving relations between organizations and their stakeholders.

As previously noted, legitimacy theory has a broader scope than stakeholder theory in its contention that organizational accountability is something that applies to society at large rather than just relevant stakeholders. Its concept of a two-way interaction between organizations and stakeholders (i.e. discharging accountability towards stakeholders and gaining legitimacy in return) is an advancement of stakeholder theory and offers a more

nuanced perspective of why corporations may engage in CSRR. When signaling theory is incorporated into the mix, it serves to complement legitimacy theory by suggesting that, in the context of CSR, CSRR practices serve as a medium for organizations to signal their compliance with societal expectations. In return, organizations establish their legitimacy by gaining societal support and acceptance. A common thread shared by signaling theory and agency theory is the concept of information asymmetry. Signaling theory suggests that information asymmetry can be reduced by disclosing voluntary information (such as CSRR) which can play a key role in enhancing corporate reputation, accessing capital at a low cost, retaining employees, easing governmental pressure, and improving organization-stakeholder relations.

Finally, institutional theory adds to the aforementioned theories, which emphasize the relationship or communication between organizations and their stakeholders. The institutional theory offers a different emphasis by focusing on the relationship between organizations and explaining how organizations mimic each other in a given organizational field. In this light, CSRR may be understood as a manifestation of institutional isomorphism (coercive, mimetic, and normative), the outcome of respective organizational efforts to adapt to the organizational field to survive and gain legitimacy. As with signaling theory, the institutional theory emphasizes the symbolic communications between organizations. These communications are designed to signal the organization's conformity to prevailing institutional norms and values (Lammers & Garcia, 2017). CSRR may thus be interpreted as a mechanism that helps organizations to signal their conformity and belonging within their organizational field, or as a means for securing institutional legitimacy with relevant stakeholders.

#### **4.3.2 Combining the Interrelated Concepts**

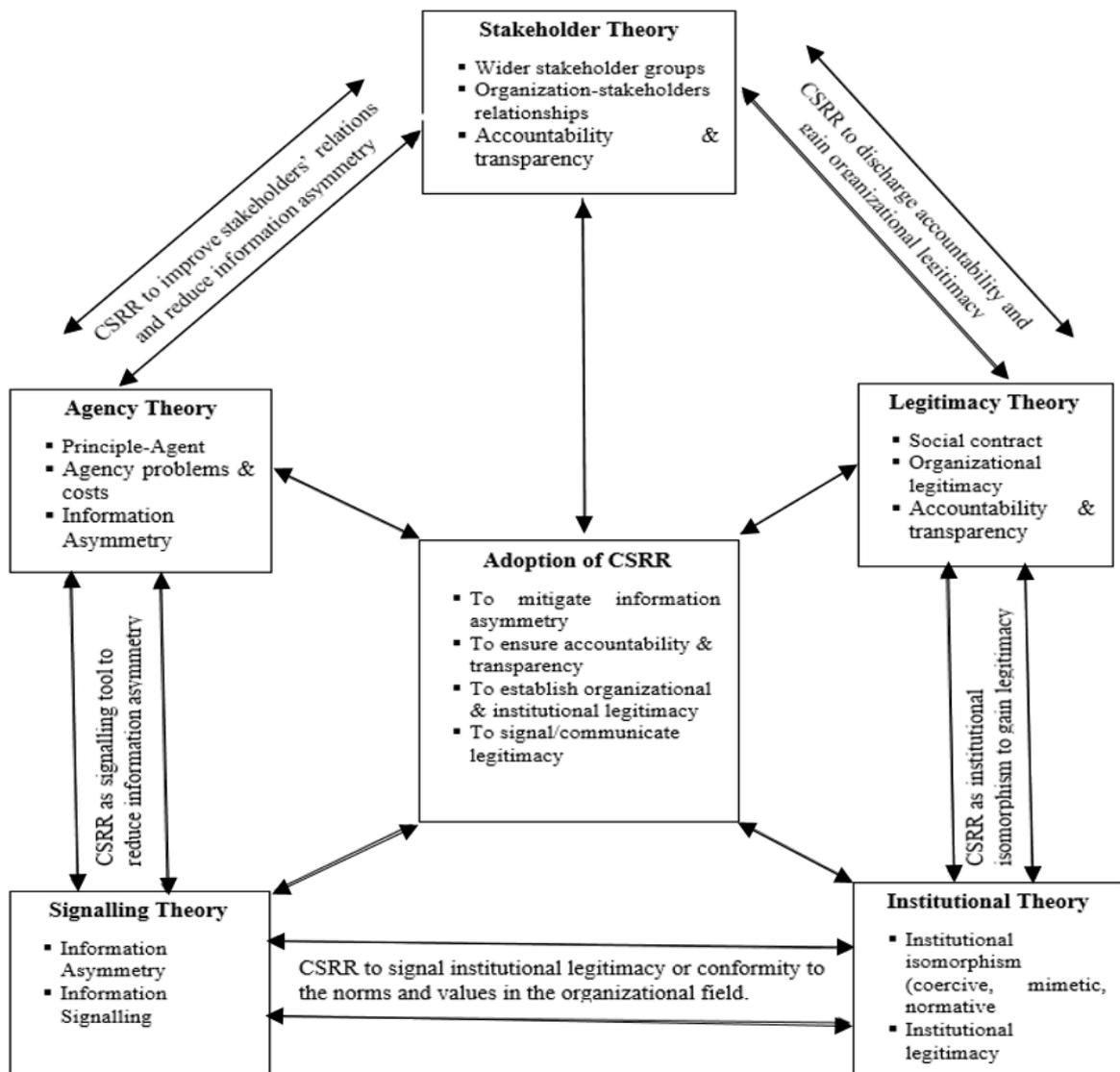
The interrelated concepts of the theories just discussed can be combined to develop an integrated theoretical framework that provides a more holistic understanding of CSRR practices in Pakistan. When the common threads of the theories are woven together, it can be argued that CSRR helps organizations:

- To mitigate information asymmetry between organizations and stakeholders to manage and improve relations with stakeholders (agency, stakeholder, and signaling theory).

- To discharge accountability and transparency to stakeholders in society (stakeholder, legitimacy, and signaling theory).
- To gain organizational and institutional legitimacy (legitimacy and institutional theory).
- To signal or communicate legitimacy and superior quality to stakeholders in society (signaling and legitimacy theory).

From these points, it is clear that organizations have multiple reasons to engage in CSRR practices. The theoretical framework developed in this thesis, which integrates the common threads of stakeholder theory, legitimacy theory, signaling theory, agency theory, and institutional theory is presented in Figure 4.2 below:

**Figure 4.2: Theoretical Framework**



The integrated theoretical framework that is illustrated in Figure 4.2 is used to evaluate and interpret the CSRR practices of Pakistani corporations. This theoretical framework helps and guides the researcher in constructing the CSRR framework, in evaluating the extent and quality of CSRR practices, and in interpreting the determinants of CSRR in Pakistan (discussed in Chapter 9 in detail).

#### **4.4 The CSRR Theoretical Framework and Pakistan**

Although the integrated theoretical framework that is employed in this thesis draws on theories that have emerged from the Western world, it is argued this framework still has relevance for CSRR practices in Pakistan. Clearly, there are fundamental differences between Pakistan and the Western world and an indiscriminate application of Western theories to a non-Western context is problematic, as already discussed. That said, the Pakistani corporate structure is still under the influence of developed economies so these theories are useful in providing a basis for explaining the actions and practices of Pakistani corporations. Further, the inclusion of Islamic concepts of benevolence, akhuwat, and brotherhood, the consideration to the social, cultural, and religious norms and values of the Pakistani society, and assigning due importance to the stakeholders' views and the local institutional factors make the integrated theoretical framework contextual and appropriate to develop a CSRR framework and to interpret and evaluate the CSRR practices in Pakistan.

By comparing the CSRR practices in Pakistan to theoretically-driven expectations of CSRR, the researcher will be able to propose recommendations for the improvements of CSRR in Pakistan.

As Pakistan continues to grapple with severe socio-environmental issues (discussed in chapter 2), there are rising levels of public awareness, activism, and stakeholder demands for more than just the disclosure of financial information. The Security and Exchange Commission of Pakistan has taken some steps in this direction and introduced SECP guidelines in 2013. However, these guidelines are descriptive and vague and they fail to provide adequate guidance on CSRR. Since the theoretical framework provided by this thesis provides a more holistic picture of CSRR, it offers an opportunity to the SECP and other corporations to tweak their CSRR regulations and strategies to be better aligned with the motivations identified by this framework with respect to corporate engagement in CSRR practices. Indeed, several studies (Ali, 2014; Mahmood et al., 2019; Majeed et

al., 2015) indicate the relevance of an integrated theoretical approach to explain CSRR practices in the Pakistani context. The theoretical framework forwarded by this thesis is designed to facilitate a theoretically-grounded interpretation and evaluation of CSRR practices in Pakistan and to guide recommendations for further improvements of CSRR practices in Pakistan.

#### **4.5 Conclusion**

This chapter reviewed five prominent theories currently used in CSRR research: stakeholder theory, legitimacy theory, agency theory, signaling theory, and institutional theory. It constructs a theoretical framework by integrating the convergent features of these theories. The study will use this newly developed framework to develop a context-specific CSRR framework, evaluate CSRR practices, and explain the determinants of CSRR in Pakistan, all of which will be detailed in subsequent chapters.

Stakeholder theory is adopted as the main theoretical lens in this study as a primary objective is to develop a stakeholder-based CSRR index for Pakistan. Stakeholder theory extends the scope of agency theory by proposing that corporations should take into account the interests of wider stakeholder groups and not only those of shareholders. In this way, corporations can discharge accountability towards extended stakeholders in society. This idea closely links with legitimacy theory, which takes a broad view of the organization-stakeholder relationship. It asserts that organizations operate in a wider social system and need to conform to the norms and values of the society as part of a social contract to legitimize their operations. Legitimacy theory emphasizes two-way communication between organizations and society, wherein organizations discharge legitimacy to wider society and are perceived as legitimate in return. However, organizations may not always conform to societal expectations and this leads to legitimacy gaps. CSRR can be used as one of the strategies to minimize information asymmetry, reduce the legitimacy gap, and ensure the organization's continued survival in society. The chapter also discussed another closely linked theory, signaling theory, which proposes CSRR as one of the channels through which corporations send signals about their legitimacy and excellence to stakeholders to ensure their continued existence in society. Finally, the institutional theory focuses on social norms and institutional practices in its assertion that organizations tend to comply with these norms and practices to gain stakeholder approval and organizational legitimacy. It suggests that organizations

operating in their organizational field become homogenous in structure by adopting common institutional practices. From this perspective, CSRR might be seen as a result of institutional isomorphism and homogenization within the field.

The five interrelated and complementary theories discussed were combined to develop an integrated theoretical framework for this study. The framework includes four core concepts: reducing information asymmetry, discharging accountability, gaining legitimacy, and signaling legitimacy. These concepts have been identified as the main motives of corporations to engage in CSRR. The chapter also discussed the advantages of using an integrated theoretical framework to carry out the research objectives of this study. The framework facilitates the development of a stakeholder-based CSRR index and provides a theoretical basis to explain the motivations behind CSRR uptake in Pakistan. It offers a means of interpreting the factors that influence CSRR practices in Pakistan (discussed in chapter 8).

The next chapter presents the methods and methodology adopted to achieve the objectives of this study.

## **Chapter Five**

### **Research Methodology and Methods**

#### **5.1 Introduction**

This chapter presents the research methodology and methods adopted by the researcher to achieve the objectives of the study. Research methodology in social science research is defined as the philosophical stance consisting of the epistemological and ontological assumptions undertaken to examine a certain social phenomenon (Easterby-Smith, Lyles, & Peteraf, 2009; Fernando, 2013; Gaffikin, 2008). The methodology and its underlying philosophical assumptions help in the selection of appropriate research methods for the collection of data (Chua, 1986), and largely influence the outcome of the research (Burrell & Morgan, 1979). Generally, there are two main methodological approaches: positivism and constructivism/interpretivism. More recently, researchers have identified a third perspective/view termed pragmatism (Denscombe, 2008), which underpins the mixed-method approach (Tashakkori & Teddlie, 1998). This study is guided by pragmatism and employs the mixed-method approach as the methodological basis for data collection and analysis.

The chapter is structured into the following sections. Section 4.2 discusses various philosophical assumptions underpinning the research. Section 4.3 presents an account of pragmatism and the mixed-method approach before justifying its adoption by this thesis. This is followed by a discussion on the research design and methods used in this study in section 4.4. Section 4.5 summarizes and concludes the chapter.

#### **5.2 Philosophical Assumptions Underpinning Research**

Research is based on ontological and epistemological assumptions that shape the research process (Burrell & Morgan, 1979; Creswell & Clark, 2017). Philosophical assumptions help researchers to formulate research questions and choose appropriate methods to answer those questions (Creswell, 2012). According to Saunders, Lewis, and Thornhill (2009), ontology relates to the nature of reality and is concerned about how researchers perceive reality. Ontology is a belief system that reflects an individual's interpretation of what constitutes reality (Powell & Smith, 2017). Ontology has two distinctive views: one assumes that reality is single and objective and exists externally to social actors, while the other assumes that individuals/social actors perceive reality differently and this leads

to multiple perceived and socially constructed realities (Powell & Smith, 2017; Saunders et al., 2009). Epistemology refers to the study of the nature, scope, and structure of knowledge and justified beliefs (Crotty, 1998; Goldman, 2004; Steup, 2018), and deals with the relationship between a researcher and what is being researched (Creswell & Clark, 2017). Epistemology also comprises two views: one assumes that the researcher and research are independent while the other postulates interdependency between the researcher and research.

### 5.2.1 Positivism versus Constructivism

Differences in the ontological and epistemological assumptions have led to two distinct approaches to research methodology: positivism and constructivism (Denscombe, 2008; Johnson & Onwuegbuzie, 2004; Saunders et al., 2009). Table 5.1 presents the distinction between these views and highlights the differences in their philosophical assumptions and methodological orientations.

**Table 5.1: Philosophical Assumptions of Positivist and Constructivist Worldviews**

	<b>Positivism</b>	<b>Constructivism</b>
<b>Ontology</b>	Reality is singular and objective	Multiple socially constructed subjective realities
<b>Epistemology</b>	Researcher and research are independent	Researcher and research are inseparable
<b>Generalizations</b>	Findings can be generalized to the population	Findings cannot be generalized
<b>Causal Linkage</b>	Cause and effect linkages are real	The distinction of causes from effects is not possible
<b>Methodological approach</b>	Deductive approach: Theory testing	Inductive approach: Theory generation
<b>Methods</b>	Mainly quantitative methods, but can use qualitative	Qualitative methods

Source: Adapted from (Creswell, 2003, p. 4; Saunders et al., 2009, p. 119; Tashakkori & Teddlie, 1998, pp. 7, 10 & 23).

Positivists believe that social scientists should treat social observations in a similar way to scientists approaching physical phenomena (Johnson & Onwuegbuzie, 2004; Saunders et al., 2009). The epistemological and ontological assumptions of positivists postulate that reality is a given fact that exists separately from the minds of investigators, and its

objective nature makes reality something that is simply awaiting discovery (Burrell & Morgan, 1979), rather than something that is interpreted. Positivists assume that the investigator is independent and impartial to what is being investigated (Johnson & Onwuegbuzie, 2004; Johnson, Onwuegbuzie, & Turner, 2007; Saunders et al., 2009; Tashakkori & Teddlie, 1998). As such, research is deemed to be free from the values and experiences of the researcher (Saunders et al., 2009). The ontological assumption of positivists assumes that reality is singular and exists external to the social actors, independent of individual consciousness, and waits to be discovered (Burrell & Morgan, 1979). In terms of methodological orientation, positivism emphasizes deductive reasoning in which a researcher develops hypotheses based on a theory and tests the hypotheses using statistical methods and techniques (Hyde, 2000; Mack, 2010; Tashakkori & Teddlie, 1998). According to positivists, causal linkages can be established, and findings can be generalized to the population. Surveys, cross-sectional and longitudinal research, correlation research, and experimental research (Johnson, 2001; Sukamolson, 2007) are examples of the research designs typically used by positivists.

The second approach to research methodology is constructivism. The epistemological assumption of constructivism postulates that the investigator is not independent or impartial but constantly interacts with the phenomenon under investigation (Lincoln & Guba, 1985). The researcher and what is being researched cannot be separated (Creswell, 2003; Guba, 1990; Saunders et al., 2009). Constructivists assume that research is value-laden, and the researcher is influenced by his/her values, beliefs, and cultural experiences, all of which influence the research process (Saunders et al., 2009). The ontological beliefs of constructivists hold that knowledge is subjective, and different individuals perceive the world differently. This leads to the existence of socially constructed multiple realities (Lincoln & Guba, 1985; Mack, 2010). Constructivists are inclined towards an inductive approach (theory development) that involves interactions with participants to derive the hidden meanings (like participants' thoughts, expressions, feelings, etc.) in specific situations (Mack, 2010). Case studies, interviews, ethnography, grounded theory, and hermeneutics are some of the research methods adopted by constructivists (Carey, 2017; Johnson & Barach, 2008).

Clearly, there are deep-seated differences between positivism and constructivism concerning their philosophical and methodological orientations. Such incompatibilities have led to what researchers have termed the "paradigm wars" (Johnson & Onwuegbuzie,

2004; Migiros & Magangi, 2011; Tashakkori & Teddlie, 1998). Positivists and constructivists generally see themselves in diametric opposition to each other and hold that the qualitative and quantitative methods used by each camp are just as incompatible as the philosophies that underpin them (Tashakkori & Teddlie, 1998).

### **5.2.2 Pragmatism and Mixed Methods Research Approach**

During the era of the paradigm wars, several influential researchers (such as Brewer & Hunter, 1989; Johnson & Onwuegbuzie, 2004; Maxcy, 2003; Tashakkori & Teddlie, 1998) argued that the differences between positivism and constructivism were overstated. Some researchers (Boland Jr, 1989; Datta, 1994; House, 1994; Howe, 1988; Reichardt & Rallis, 1994) suggested that it was possible for positivist and constructivist approaches to be compatible and for quantitative and qualitative research methods to be used in complementary ways. Boland Jr and Pondy (1983) went so far as to suggest that positivism and constructivism cannot be separated, and researchers need to synthesize both approaches in conducting their research. Building on this, Brewer and Hunter (1989) have called for methodological integration, emphasizing the need for combining quantitative and qualitative methods to achieve the objectives of the research.

Howe (1988) offered an alternative to the dichotomization, which underpinned the paradigm wars by proposing a different view: pragmatism. As cited in Tashakkori and Teddlie (1998), the basic principle underlying Howe's concept of pragmatism is the compatibility of qualitative and quantitative methods. Investigators could employ both methods within a single study, an approach which has since come to be known as mixed-methods research since the underlying philosophy/view accepts the two methods as compatible and coexistent (Howe, 1988; Reichardt & Rallis, 1994; Tashakkori & Teddlie, 1998). According to Tashakkori and Creswell (2007), mixed methods research is "research in which the investigator collects and analyses data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study or a program of inquiry" (p. 4). Pragmatism is seen as the philosophical partner for the mixed-methods approach (Denscombe, 2008). Pragmatism holds that the research question is key to determining the ontological and epistemological approach of the study. Of central importance is its assertion that one method may be more appropriate than the other to answer the research question at hand (Saunders et al., 2009).

Pragmatists assume the existence of socially constructed multiple realities and allow for both subjective and objective viewpoints (Saunders et al., 2009; Tashakkori & Teddlie, 1998). Pragmatists postulate that the researcher and research are inseparable from one another and research cannot be free from the researcher's bias resulting from his/her values, beliefs, and experiences. Pragmatism allows researchers to mix both quantitative and qualitative methods to provide a broader picture by integrating divergent views from different sources (Grafton, Lillis, & Mahama, 2011). In this way, the biases or limitations associated with one method may be offset by the strengths of another method (Collis & Hussey, 2009).

Tashakkori and Teddlie (1998) identified four types of mixed method designs (or strategies): sequential studies, parallel studies, equivalent status design, and dominant-less dominant studies. The first two types are primarily concerned with decisions around sequencing and which method should precede the other. The latter two involve decisions around priorities and a determination of whether one method should be the principal method or if both methods have equal weights (Bryman, 2012). In a sequential mixed-methods approach, the researcher either completes the quantitative part of the study first and then the qualitative part (explanatory sequential design), or the other way around (exploratory sequential design) (Creswell & Clark, 2017; Tashakkori & Teddlie, 1998). The parallel mixed methods design/convergent/concurrent design allows researchers to collect and analyze quantitative and qualitative data at the same time. This design helps the researcher to combine the results to present a more complete understanding of the problem and to validate and triangulate the results from both quantitative and qualitative methods (Creswell & Clark, 2017). In equivalent status design, the qualitative and quantitative approaches are used equally to conduct a research study. Finally, in the dominant-less dominant mixed methods design, a researcher gives more weight to either qualitative or quantitative methods to understand the phenomenon under investigation.

### **5.3 The Adoption of a Mixed Methods Approach in this Thesis**

In this study, the researcher adopts the sequential mixed methods research approach and is influenced by pragmatism to develop a CSRR framework for Pakistan. The CSRR framework consists of three major components: a stakeholder-based CSRR index, an evaluation of current CSRR practices in Pakistan, and an examination of the factors influencing CSRR in Pakistan. In the stakeholders' consultation exercise, which aimed at

constructing a contextual CSRR index, both quantitative and qualitative methods were used concurrently. The quantitative part involved a survey questionnaire to obtain weights (1-5 Likert scale) for each of the CSRR items based on the stakeholders' perspectives. The qualitative part involved semi-structured interviews conducted with stakeholders to validate the CSRR index. Following Creswell (2014), an interpretive analysis of the interview transcripts was performed by reading and re-reading the complete interview verbatim to gain a deeper understanding of the CSRR practices in Pakistan. The second stage of the study used a qualitative content analysis technique to evaluate the extent and quality of CSRR in Pakistan. Finally, a quantitative approach was adopted in the third stage of the study. This phase involved hypotheses testing using statistical methods (correlation and regression analysis) to examine the influence of company-specific factors on CSRR practices in Pakistan.

The mixed-methods approach helped the researcher to overcome and offset the weaknesses that would arise had only the quantitative or the qualitative approach been used. The qualitative approach enabled the researcher to understand the context and settings of the stakeholders to gain insights into their responses. The quantitative methods helped to reduce the personal bias of the researcher during the process of interpreting stakeholder responses. As Denscombe (2008) and Collis and Hussey (2009) have argued, a mixed-method approach enables the strengths and findings of one method to either make up for the deficiencies of the other method or complement its findings. The combination of these various findings serves to enrich and strengthen the overall results of the study. For instance, the semi-structured interviews allowed the researcher to elaborate, clarify, interpret, and make sense of the findings of the survey questionnaires. Similarly, the interpretive analysis of the interviews and the content analysis of the annual reports helped in substantiating and interpreting the statistical results from the hypothesis testing.

The adoption of a mixed-methods approach is not new. Several researchers have used this approach to investigate research problems in the field of CSR, corporate accountability, public sector accountability, and management (see, for instance, Babiak & Trendafilova, 2011; Hooks, Coy, & Davey, 2004; Joseph & Taplin, 2012; Mahmood, Kouser, Ali, Ahmad, & Salman, 2018; Mahmood et al., 2017; Ragodoo, 2009; Yi & Davey, 2010). The majority of these studies have used content analysis of annual reports/websites and interviews in their research designs. In one mixed methods study, Bayoud et al. (2012) examined the determinants of CSR disclosure in Libya using the content analysis

technique and interviews with 31 financial managers. Similarly, Joseph and Taplin (2012) utilized content analysis of annual reports to investigate the influence of the UN's agenda 21 on sustainability disclosure and conducted interviews with council members to validate their findings. However, these studies have mainly focused on the determinants of CSRR and have used interviews for triangulation purposes.

Research on CSRR in Pakistan has largely comprised quantitative methods to examine the determinants of CSRR (e.g., Kimber & Lipton, 2005; Majeed et al., 2015; Mukhtar, 2016; Syed & Butt, 2017). For example, Mahmood et al. (2018) adopted a mixed-method approach to investigate the corporate governance determinants of social sustainability disclosure and used interviews with directors to triangulate their results from the regression analysis. To date, there has yet to be a single study in Pakistan that has used a mixed-method approach to develop a CSRR index based on the perspectives of multiple stakeholder groups. The mixed-method approach enables the researcher to achieve multiple research objectives in a single study: to develop a stakeholder-based CSRR index to gain an in-depth understanding of CSRR, to evaluate CSRR practices, and to examine the determinants of CSRR. The combination of quantitative and qualitative methods helps to provide a fuller and richer understanding of CSRR in Pakistan which would be less likely if there had been an exclusive use of only quantitative or qualitative methods. The next section discusses the research design and research methods used in this thesis and how the mixed-method approach has been applied in the investigation.

#### **5.4 Research Design and Methods**

According to Yin (2003), a research design is “a logical sequence that connects the empirical data to a study's initial research questions, and ultimately, to its conclusions” (p.5). Cavaye (1996) defines research method as “a way to systemize observation, describing ways of collecting evidence and indicating the type of tools and techniques to be used during data collection” (p. 227). This study is conducted in three phases and employs a sequential mixed-method approach. It helps the researcher to explain and expand the findings of one method with those of the other method (Creswell & Clark, 2017). The primary motive of using a sequential mixed methods approach is to refine the CSRR index through a qualitative method (semi-structured interviews with local stakeholders) to better contextualize the CSRR index. The CSRR index was then used to

evaluate the CSRR practices of Pakistani companies and to perform hypotheses testing using quantitative techniques. A summary of the research process is presented below.

**Table 5.2: Summary of the Research Process**

<b>Phase 1</b>	<p><b>Development of the CSRR Index</b></p> <ul style="list-style-type: none"> <li>• Construction of preliminary CSRR index <ul style="list-style-type: none"> <li>▪ Review of CSRR studies and GRI (G4) standards</li> <li>▪ Contextualization of the CSRR items and categories in reference to Pakistani issues</li> </ul> </li> <li>• Refinement of the preliminary CSRR index and assigning weights to the items <ul style="list-style-type: none"> <li>▪ Selection of stakeholders</li> <li>▪ Questionnaires</li> <li>▪ Post-questionnaire interviews</li> </ul> </li> <li>• Selection of extent and quality criterion for content analysis</li> <li>• Pilot Test (Two Rounds) <ul style="list-style-type: none"> <li>▪ Five companies listed on the Pakistan Stock Exchange</li> <li>▪ Comparisons of the results from content analysis and amendments to the CSRR index (two assessors)</li> </ul> </li> </ul>	Answers Research Questions 1 and 2.
<b>Phase 2</b>	<p><b>Content Analysis of the Annual Reports</b></p> <ul style="list-style-type: none"> <li>• Sample selection for content analysis <ul style="list-style-type: none"> <li>▪ Twenty-five non-financial listed companies on the Pakistan Stock Exchange based on market capitalization</li> </ul> </li> <li>• Evaluation and scoring of annual reports of the sample companies</li> </ul>	Answers Research Question 3
<b>Phase 3</b>	<p><b>Hypotheses Development and Testing: Factors Influencing CSRR disclosure in Pakistan</b></p> <ul style="list-style-type: none"> <li>▪ Correlation Analysis</li> <li>▪ Multiple Regression Analysis</li> </ul>	Answers Research Question 4

#### **5.4.1 Phase One: Development of CSRR Index**

The researcher developed a stakeholder-based CSRR index in the first phase of the study. The development of this index involved both quantitative and qualitative methods and was completed in two stages: (a) the construction of a preliminary CSRR index and (b) consultation with stakeholders to refine and finalize the CSRR index. This section

provides a summary of the development of the CSRR index, whilst a detailed discussion on the various steps involved in the development of the CSRR index is presented in Chapter 6.

In the first stage of the study, a preliminary CSRR index was developed in light of the socio-environmental, political, economic, and religious issues in Pakistan (discussed in Chapter 2). Several items from the GRI (G4) and extant CSRR studies were added to the list (see chapter 3 for a detailed discussion). The preliminary CSRR index consisted of 52 CSRR items which were categorized into five dimensions: community, environment, employee, energy, and product dimensions. To ensure the validity and relevance of the CSRR items to the Pakistani context, two rounds of consultation with eighteen Pakistani CSR and CSRR experts were conducted. The selection criterion to identify appropriate CSRR experts is discussed at length in Chapter 6. The experts proposed certain amendments and the preliminary CSRR index consisting of 64 CSRR items was presented to the stakeholders for assigning weights.

The preliminary CSRR index was further amended following consultation with Pakistani stakeholders who assigned weights to the CSRR items in the next stage. The stakeholder consultation exercise involved both quantitative (survey questionnaire) and qualitative (interviews) methods. The stakeholder classification models suggested by Donaldson and Preston (1995) and Clarkson (1995) and the discussion with the CSRR experts were used as a basis to select relevant stakeholder groups for the study. This resulted in the identification of eight stakeholder groups: corporate managers, employees, customers, religious clerics, investors, auditors and accountants, government regulators, and academicians were selected (see Appendix 1). Fifteen out of the eighteen CSR experts consulted in the first stage agreed to be part of the weighing process as well. Using the snowballing sampling technique a further forty potential participants were identified, based on the suggestions of the CSSR experts and other contacts. The potential participants were contacted via telephone calls and emails, and in total, fifty participants agreed to be involved in the study by assigning weights to the items in the CSRR index and by participating in semi-structured interviews.

The participants were asked to assign weights to CSRR items using a 5-point Likert scale (1-5) to indicate their significance for the Pakistani context<sup>28</sup>. The use of a weighted

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<sup>28</sup> Please see Chapter 6 for a detailed discussion on the selection of a 5-point Likert scale.

approach is in line with several researchers (such as Coy and Dixon, 2004; Hanafi, Kasim, Ibrahim, and Hancock, 2009) who argue that because CSRR items have different levels of importance across different contexts, each CSRR item should be assigned a weight according to its significance in the given context. The mean values for each CSRR item were calculated using the SPSS data analysis software to determine the weights of the CSRR items. This was followed by semi-structured interviews with the participants to understand the reasons behind the amendments in the CSRR index, the differences in weights assigned to the CSRR items, their perceptions about barriers to implementing CSR and CSRR policies, and most importantly, to elicit ideas for improvements in the implementation of the overall CSRR framework including the CSRR index. The researcher used an interview guide that consisted of a list of questions in English and Urdu for clarity and validity (see Appendices 2 & 3). On average, the semi-structured interviews lasted for an hour and were transcribed as soon as the interviews were conducted. The responses from the interviewees were analyzed, interpreted, and used to support the findings from the questionnaire survey.

Before proceeding to the second stage of the study, criteria for measuring the extent<sup>29</sup> and quality of CSRR were established, and the CSRR index was pilot tested to ensure its validity and reliability. The researcher reviewed several information disclosure studies to develop the extent and quality criteria used for the content analysis of CSRR in Pakistan. The review of these studies indicates that different measurement units, such as words, sentences, and pages, have been used to determine the extent of CSRR (see, for instance, da Silva Monteiro & Aibar-Guzmán, 2010; Gamerschlag et al., 2011; Guthrie, Cuganesan, & Ward, 2008; Moneva & Llena, 2000; Naser & Hassan, 2013; Ratanajongkol et al., 2006). However, quantifying CSRR based on the number of pages is inappropriate as page sizes, print sizes, and column sizes might vary from one annual report to another (Ng, 1985). In the case of words as a measurement unit, it is hard to decide which words relate to CSRR, which may lead to greater disagreement between/among coders (Hackston & Milne, 1996). Thus, the researcher used sentences as measurement units to overcome the issues associated with words and pages as measurement units (Buhr, 1998; Hackston & Milne, 1996; Yusoff, Mohamad, & Darus, 2013). Similarly, accounting researchers have used different scales to evaluate the quality of disclosures including a

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<sup>29</sup> Extent means the quantity of CSRR information disclosed by the sample firms, and this is measured by the number of sentences related to the CSRR items disclosed in the annual reports.

binary scale, 0 and 1 (Alsaed, 2006; Brammer & Pavelin, 2008), a 3-point scale (Coy, Tower, & Dixon, 1993; Wong & Gardner, 2005), a 4-point scale (Guthrie, Petty, Ferrier, & Wells, 1999) and a 5-point scale (Hooks, Coy, & Davey, 2002), etc. This current study uses the following 5-point scale, which, according to Hooks (2000), is more comprehensive and simple to use.

**Table 5.3: Quality Criterion using a 5-point scale**

1	Non-disclosure/trivial	The item is either not disclosed or only trivial information is provided in the annual report.
2	Obscure	The item is discussed in limited references or value comments while discussing other topics and themes
3	Descriptive	The item appears in a discursive/narrative form with a clear impact on the company.
4	Quantitative/monetary	The item is stated in quantitative form or monetary values including a clear impact on the company.
5	Quantitative/monetary and descriptive/graphics	The quantitative/monetary information is supplemented with descriptive statements and graphics.

Adapted from Firer and Williams (2005)

Once the criteria for the extent and quality of CSRR were finalized, the CSRR index was pilot tested on five listed companies on the Pakistan Stock Exchange (PSX) in two rounds. Pilot tests are important as they ensure the reliability and validity of the research instrument (Sekaran, 2000), and indicate any deficiencies related to the design and application of the instrument (Dimitrov, 2017). This step involved two assessors, the researcher and another Ph.D. student at the Institute of Management Sciences in Pakistan. The results from the first round of pilot testing indicated some discrepancies between the scores of the two assessors. The two assessors discussed the differences in the findings and some guidelines were subsequently revised (see Appendix 4). The second round followed the first round of pilot testing, and the results indicated that no major changes were required.

#### **5.4.2 Phase Two: Evaluation of the Extent and Quality of CSRR in Pakistan**

The second phase of the study involved qualitative content analysis of the annual reports of Pakistani listed companies to evaluate the extent and quality of CSRR. Content analysis is “a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use” (Krippendorff, 2004, p. 18). Content

analysis enables a researcher to analyze the meaning of texts through the quantification and investigation of the information in a structured and objective manner which, in turn, enables contextual inferences to be made about the hidden meanings of the text (Denscombe, 1998; Krippendorff, 2004). The content analysis technique has been widely used in CSRR research (da Silva Monteiro & Aibar-Guzmán, 2010; Gamerschlag et al., 2011; Guthrie, Cuganesan, & Ward, 2008; Moneva & Llana, 2000; Naser & Hassan, 2013; Ratanajongkol et al., 2006) to evaluate the extent and quality of CSRR.

The sample firms for content analysis included the top twenty-five<sup>30</sup> non-financial companies listed on the KSE 30 index of the Pakistan Stock Exchange (PSX). PSX is the only stock exchange in Pakistan, and the KSE 30 index consists of the top 30 local and foreign companies representing eighteen different industries. There are several reasons for the selection of these particular companies. First, as the largest companies in Pakistan, they are under greater public and media scrutiny that increases the likelihood of their involvement in a variety of CSR activities. It is also easier to access the CSRR efforts of these companies owing to their public profile. Moreover, these companies are the best performers in terms of profits in their respective industries, making them the market leaders of the Pakistani economy. As institutional theory suggests, the corporate behavior (including CSRR) of these companies might serve as a benchmark for smaller firms. Hence, the CSRR of the sample firms representing a wide range of industries provides a more holistic and in-depth picture of CSRR practices in Pakistan. A list of the sample companies is provided in Appendix 5.

After the sample selection process, the researcher conducted a content analysis to evaluate the extent and quality of CSRR. The researcher identified and counted the number of sentences with CSRR items to determine the extent of CSRR. Furthermore, using the quality criterion discussed earlier, the researcher assigned quality scores to the sample companies, and recorded them in a spreadsheet. Finally, the mean values were calculated to achieve the annual extent and quality scores for each company. The analysis performed included item-by-item, dimension wise and industry-wise comparisons of CSRR of the sample firms. The content analysis is discussed in Chapter 7 in more detail.

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<sup>30</sup> The objective was to present the overall holistic picture of the CSRR in Pakistan, and not to track the CSRR of individual companies. It is important to note that the firms might change within the five years period of the study as some companies would be included and some be removed from the KSE 30 index from 2015-2019.

### 5.4.3 Phase Three: Hypotheses Testing

In the final stage of the study, the researcher examined the influence of several company-specific factors on the extent and quality of CSRR practices in Pakistan. As discussed earlier, a substantial body of research in developed and developing countries has examined the influence of company-specific factors such as company size, profitability, liquidity, financial leverage, audit type, the age of the firm, and industry (Ting, 2021; Adel et al., 2019; Sial et al., 2018; Alsaeed, 2006; Moore, 2001; Murray et al., 2006; Naser & Hassan, 2013; Reverte, 2009; Stanny & Ely, 2008). At present, the few studies which have been conducted in Pakistan (Khan, Lockhart, & Bathurst, 2020; Lone et al., 2016; Majeed et al., 2015; Sharif & Rashid, 2014) have primarily focused on the determinants of the extent of CSRR without examining the quality of CSRR. Moreover, the CSRR studies in Pakistan have utilized CSRR indices from other contexts to assess the extent of CSRR (see, for instance, Majeed et al., 2015; Sharif & Rashid, 2014). In contrast, this study uses a specially-tailored and context-relevant CSRR index to assess the extent and quality of CSRR and to provide empirical evidence on the relationship between company attributes and the extent and quality of CSRR in Pakistan.

Based on the extant literature, a series of hypotheses were developed to examine the influence of twelve factors on the extent of CSRR practices of the sample Pakistani firms (see Chapter 8 for a detailed discussion).

The following regression models were tested:

$$\text{CSRR}_{\text{ext}_{it}} = \beta_0 + \beta_1 \text{firm\_size}_{it} + \beta_2 \text{leverage}_{it} + \beta_3 \text{Profitability}_{it} + \beta_4 \text{Auditttype}_{it} + \beta_5 \text{Age}_{it} + \beta_6 \text{Industry}_{it} + \beta_7 \text{boardsize} + \beta_7 \text{Ind\_dir}_{it} + \beta_9 \text{wom\_dir}_{it} + \beta_{10} \text{for\_own}_{it} + \beta_{11} \text{fam\_own}_{it} + \beta_{12} \text{govt\_own}_{it} + \epsilon_{it}$$

$$\text{CSRR}_{\text{qual}_{it}} = \beta_0 + \beta_1 \text{firm\_size}_{it} + \beta_2 \text{leverage}_{it} + \beta_3 \text{Profitability}_{it} + \beta_4 \text{Auditttype}_{it} + \beta_5 \text{Age}_{it} + \beta_6 \text{Industry}_{it} + \beta_7 \text{boardsize} + \beta_7 \text{Ind\_dir}_{it} + \beta_9 \text{wom\_dir}_{it} + \beta_{10} \text{for\_own}_{it} + \beta_{11} \text{fam\_own}_{it} + \beta_{12} \text{govt\_own}_{it} + \epsilon_{it}$$

Where;

CSRRExt	The extent of CSRR (value calculated using content analysis)
CSRRqual	The quality of CSRR (values calculated using content analysis)
firm-size	log of total assets
leverage	total debt/total assets
profitability	operating profits/net sales
audit type	1 if audited by the 'big 4' or 0 otherwise
age	years since the inception of the company
industry	1 if a firm belongs to high profile industry or 0 otherwise
board-size	number of directors on the board of directors
ind-dir	the proportion of independent directors on the board of directors
wom-dir	the proportion of female directors on the board of directors
for-own	percentage of capital owned by foreign companies and investors
fam-own	percentage of shares owned by families
govt-own	percentage of share capital owned by the government

The analysis in this stage of the study used quantitative statistical techniques including correlation and multiple regression analysis. A detailed discussion of the hypotheses testing and findings is presented in Chapter 8.

To minimize bias and subjectivity in the research and to enhance the credibility and validity of the findings, four types of triangulation techniques, as suggested by Denzin (1978), were implemented in this study.

- i. Data Triangulation: Data triangulation is achieved in this study by using multiple data sources, including a survey questionnaire, semi-structured interviews, and content analysis of the annual reports.
- ii. Investigator Triangulation: Investigator triangulation was achieved as two assessors/coders were used to analyze the CSRR in the pilot tests.
- iii. Methodological Triangulation: The researcher ensured methodological triangulation by adopting both quantitative and qualitative data collection and analysis techniques.
- iv. Theory Triangulation: The use of a multi-theoretical framework (including stakeholder, legitimacy, institutional, signaling, and agency theories) to interpret the findings of the study helped to achieve theory triangulation in this study.

## 5.5 Conclusion

This chapter presented the research methodology and methods used in this study. The chapter outlined and discussed the two main research philosophies, positivism, and constructivism, and compared them based on their ontology, epistemology, methodology, and methods used. It then discussed an alternative approach, pragmatism, as a philosophical partner to mixed-methods research. The chapter justified the decision to use a mixed-methods approach over exclusive use of either quantitative or qualitative methods on the basis that a mixed-methods approach enables the key research objectives of this study to be met.

The next part of the chapter covered the various stages of the research process which included a description of the research method(s) employed in each stage. The research involved three phases including:

- The development of the CSRR index
- The evaluation of the extent and quality of CSRR
- The examination of the factors influencing CSRR in Pakistan

In the first phase of the research process, a preliminary CSRR index based on the review of extant CSRR studies, GRI (G4), and Pakistan-specific issues was constructed. The preliminary CSRR index was refined through consultation with 50 stakeholders using a questionnaire survey and semi-structured interviews. The findings from the stakeholder consultation helped to determine which CSRR items should be included in the CSRR index, and what were the appropriate weights for each item. In the second phase of the research, two rounds of pilot tests of the CSRR index were conducted to test the validity of the index and to further refine the index. This was followed by the evaluation of the annual reports of twenty-five Pakistani listed companies using the qualitative content analysis technique. In the final phase of the study, the researcher used correlation and regression analysis to examine the influence of company-specific factors on the CSRR of Pakistani listed companies. In this way, this study integrates quantitative and qualitative techniques to develop a stakeholder-based CSRR index to evaluate and provide a thorough understanding of CSRR practices in Pakistan.

The next chapter discusses in greater detail the construction of the CSRR index used in the study.

## Chapter Six

### Construction of the CSRR Index

#### 6.1 Introduction

The disclosure index is one of the widely used research instruments in information disclosure research (Marston & Shrives, 1991). A disclosure index<sup>31</sup> is an extensive list of pre-selected items, which when the scores of items are aggregated, gives a measure of the extent of disclosure by a company in a specific context (Coy, 1995; Guthrie et al., 2006; Marston & Shrives, 1991). This chapter discusses the construction of the stakeholder-based CSRR index, which is the major component of the CSRR framework developed in this thesis. This study uses the stakeholder-based CSRR index to evaluate the extent and quality of CSRR practices of Pakistani firms<sup>32</sup>.

The chapter is divided into the following sections. Section 6.2 discusses the selection of the CSRR items based on pertinent Pakistani issues and contexts, a review of the literature, and the opinions of CSRR experts in Pakistan. Section 6.3 follows with a discussion of the weights allocated to the CSRR items by Pakistani stakeholder groups. Section 6.4 presents the criteria used to assess the extent and quality of CSRR practices in Pakistan. Section 6.5 discusses the findings of two rounds of pilot testing of the CSRR index which were conducted to ensure the validity and reliability of the CSRR index. Finally, section 6.6 concludes the chapter.

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<sup>31</sup> For the purposes of this thesis, the terms ‘disclosure index’ and ‘disclosure instrument’ are used synonymously.

<sup>32</sup> A detailed discussion on the evaluation of the extent and quality of CSRR practices of Pakistani firms is undertaken in chapter 7.

The steps involved in the construction of the CSRR index are summarized in Table 6.1.

**Table 6.1: Construction of the CSRR index**

<p><b>Stage 1: Selection of CSRR items</b></p> <ul style="list-style-type: none"><li>• Review of literature, global and domestic standards, guidelines and regulations, and Pakistani issues</li><li>• Two rounds of consultation with Accounting and CSR experts in Pakistan</li></ul> <p><b>Stage 2: Assigning weights to the CSRR items</b></p> <ul style="list-style-type: none"><li>• Development of the survey questionnaire</li><li>• Weighting of the CSRR categories and items</li></ul> <p><b>Stage 3: Developing the extent and quality criteria to assess CSRR in Pakistan</b></p> <ul style="list-style-type: none"><li>• Criterion to assess the extent of CSRR in Pakistan</li><li>• Criterion to assess the quality of CSRR in Pakistan</li></ul> <p><b>Stage 4: Pilot tests</b></p> <ul style="list-style-type: none"><li>• Conducting the first round of pilot test and reviewing and discussing variations in the findings</li><li>• Conducting the second round of pilot test, discussing the findings and finalizing the CSRR instrument</li></ul>
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## **6.2 Stage I: Selection of the CSRR items**

The selection of CSRR items for the preliminary CSRR index was completed in two steps. In the first step, several CSRR items were identified based on the socio-environmental, religious, economic, and political issues pertinent to Pakistan. Similarly, the literature on CSRR in the global and national context was reviewed to add further relevant CSRR items to the preliminary CSRR index. In the second step, accounting and CSR experts in Pakistan were consulted in two rounds to further modify and validate the preliminary CSRR index. The following subsections describe both of these steps in detail.

### **6.2.1 Preliminary CSRR Items from Literature & Pakistani Issues**

In the first step, the researcher consulted the contextual socio-environmental, economic, religious, and political issues of Pakistan to identify potential CSRR areas that need attention. The aim was to develop a CSRR index that is tailored to the specific context of Pakistan. Thus, key contextual issues and Islamic prescriptions and teachings, which exert significant influence in Pakistani society, were given special consideration in the formulation of the CSRR index. The process of accounting for the contextual issues of

Pakistan helped to identify other dimensions for the preliminary CSRR index (see Chapter 2) which would have been overlooked in conventional CSRR indices.

In the next phase of the construction of the preliminary CSRR index, an extensive review of the CSRR literature was carried out to identify CSRR items relevant to the contextual issues of Pakistan. Studies which were conducted in developed countries (Abbott & Monsen, 1979; Hackston & Milne, 1996; Holder-Webb et al., 2009; Wiseman, 1982; Newell & Frynas, 2007) and in developing countries (Hossain et al., 2006; Narwal, 2007; Majeed, Aziz, & Saleem, 2015; Sharif & Rashid, 2014; Suttipun, 2012; Syed & Butt, 2017) were reviewed. Several global standards<sup>33</sup>, as well as Pakistani regulations and legislations,<sup>34</sup> were also reviewed to include all the potential CSRR items in the preliminary CSRR index. The preliminary CSRR index consisted of 52 CSRR items which were grouped into five dimensions of CSRR: community, environment, employees, energy, and product (refer to Table 3.4).

The preliminary CSRR index is a comprehensive list of items, of which several items were drawn from extant western literature. Thus, it was necessary to check the validity and relevance of this index to the Pakistani context. It was also important to ensure that all the relevant and important CSRR items were included in the preliminary CSRR index. Hence, a two-round consultation process with accounting and CSR experts in Pakistan was conducted in the next step.

## **6.2.2 Consultation with Accounting and CSR Experts in Pakistan**

The researcher identified and consulted eighteen accounting and CSR experts who are regarded as highly knowledgeable about the socio-political, economic, and religious atmosphere of Pakistan. The primary purpose of the consultative process was to validate and contextualize the preliminary CSRR index. The researcher adopted a purposive selection approach and used the snowballing technique to identify the experts for consultation.

### ***6.2.2.1 Identification and Selection of Experts***

The researcher, under the guidance of his supervisors, established the following criterion to identify which experts were appropriate to consult:

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<sup>33</sup> For example, GRI (G4), UNGC's Communication on Progress and ILO standards.

<sup>34</sup> This includes the Constitution of Pakistan, 1973, the Pakistan Environmental Protection Act, 1997, the Islamabad Consumer Protection Act, 1995, and the SECP voluntary reporting guidelines, 2013.

- Must be a Pakistani citizen with at least 10 years of work experience in Pakistan; international work experience is treated as a bonus.
- Must have up-to-date knowledge of CSR and CSRR, and be highly aware of global developments in CSRR.
- Should belong to one of the following ‘expert’ groups: top management, chartered accountant, CFA, accounting, and/or CSRR academician.
- Should be available and willing to participate.

Once the selection criterion was established, the researcher started identifying potential experts for the consultative process. The researcher contacted one of his master's degree supervisors who has a PhD degree in CSR and who has 16 years of academic and research experience. The professor agreed to participate and provided a list of other experts who met the selection criterion. The researcher also contacted his friends and university colleagues working in the Pakistani corporate sector, auditing firms, NGOs, universities, and other research institutions. Consequently, twenty-five potential participants were invited to be involved in the study.

Of the twenty-five potential participants, eighteen agreed to be involved in the two rounds of consultation as per the research design plan. Currently, there is no consensus on the appropriate number of experts for panel discussions (Grant & Davis, 1997). Eighteen is an acceptable number that lies in the minimum range suggested by different researchers (Baker & Edwards, 2012; Dalkey, 1969; Gable & Wolf, 2012; Lynn, 1986; Martino, 1972; Tilden, Nelson, & May, 1990). Participants included five academicians, seven chartered accountants, and six CSR experts working in the corporate sector of Pakistan.

Before the commencement of the consultation process, the researcher and another doctoral candidate in Pakistan translated the preliminary list of CSRR items into Urdu (national language). The translated list of items was re-translated into English by a linguistic professor to ensure the validity of the translation. During the process of translation and verification, some items on the preliminary list were identified as having problematic translations into Urdu which might subsequently lead to incorrect interpretations. The wordings of these CSRR items were refined and underwent an additional round of re-translation and verification to ensure the accuracy of the Urdu translation of the preliminary CSRR index (see Appendix 6). Both the English version and the Urdu translation were used together to avoid confusion related to the interpretations of the CSRR items.

### 6.2.2.2 *Panelists' Feedback- Round One*

Once the translation was validated, the researcher emailed the preliminary CSRR index (in English and its accompanying Urdu translation) to the panelists. This allowed the panelists to carefully consider the listed CSRR items and to note any questions or areas of concern. The email provided the panelists with information about the aim of the consultation process, the purpose and expected outcomes of the research, and their rights as participants. The researcher received feedback from ten participants in the first two weeks, and a follow-up process, via emails and phone calls, was conducted to gather responses from the remaining panelists. Within one month, the researcher had collected responses from all eighteen panelists about the preliminary CSRR index.

The panelists offered several suggestions for amending the preliminary CSRR index. For example, several panelists raised concerns about the length of the index and suggested merging some items in the interests of brevity. They identified which CSRR items they believed should be merged with other items or omitted altogether. One suggestion was that the item “*information about the number of employees in the organization*” and the item “*information about gender and minority based statistics*” could be merged. Another suggestion involved the merging of the following two items: “*environment conservation by using recycled raw materials*” and “*having a recycling plant in the factory*”. Before making amendments to the CSRR index, the researcher reviewed some CSR reports and found that these items were not sufficiently similar to be merged and that they have different interpretations for different companies. For instance, the items “*having a recycling plant*” and “*using recycled raw materials*” may appear to be conceptually similar but the review of CSR reports showed that some companies disclosed both items while others have either disclosed only one or none of them. As a result, although the suggested amendments by the panelists were given due consideration, it was left to the researcher’s discretion to determine which suggestions were considered.

One of the panelists, a CSR expert and activist, raised the importance of joint focus group discussions/community engagement to review community needs and expectations. Further, he recommended adding a CSRR item that should discuss corporate support to the government in strengthening public service institutions such as traffic control and police, etc. The researcher added the item and modified the CSRR index accordingly. Another recommendation was to add items that should highlight if the corporations provide “*special breaks for prayers*”, “*relaxation in dress code*”, and “*Qarz Hassana*

(interest-free loans) to the employees”. Similarly, the CSRR experts proposed to add several other CSRR items considering their relevance to the Pakistani context. These CSRR items included disclosures about “charities and donations in the form of zakat”, “installation of clean drinking water facilities for the local people”, “quota system for women”, “installation of pollution controlling equipment”, and “disclosures of the side effects and halal status of products”. The researcher acknowledged the participants via emails and added the new items to the list.

### 6.2.2.3 Panelists’ Feedback- Round Two

Following the first round of consultation with the expert panelists, the subsequently modified CSRR index was redistributed to each of the panelists for further feedback and final approval. In the second round of consultation, the panelists largely approved the CSRR index but suggested slight amendments such as reordering some of the items in the CSR categories. Following the implementation of the suggested changes from the second consultation round, the preliminary CSRR index was ready to be employed for the next stage of the research. The index, following the two rounds of consultation and modifications, is presented in table 6.2 below:

**Table 6.2: The Preliminary CSRR Index after Experts’ Consultation**

	<b>Community</b>
1	Setting up hospitals and healthcare centers for the local community
2	Making charities and donations in the form of Zakat
3	Establishing universities, colleges, or other educational institutions
4	Providing scholarships and academic sponsorship to meritorious or/and needy students
5	Providing scholarships to physically challenged students
6	Sponsoring educational conferences and seminars
7	Organizing skill development projects for the local community
8	Sponsoring national and international games and events
9	Constructing roads and other infrastructures for the local community
10	Constructing parks and other recreational facilities for the community
11	Creating part-time job opportunities for students

12	Arranging summer internship programs for students
13	Clean drinking water facilities for the local people
14	Quota system adopted to increase female employment rates
15	Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)
16	Providing support to acid and/or dowry victims
17	Joint focus group discussion /community engagement to review their needs and expectations
18	Providing support to the government in strengthening public service institutions
	<b>Environment</b>
19	Having a corporate environmental protection policy
20	Incorporate environmental concerns in their business decisions
21	Environmental conservation by using recycled raw materials
22	Having a recycling plant in the factory
23	Installing facilities and equipment to control pollution
24	Providing air emission information e.g. hazardous gases emitted
25	Providing water disposal information
26	Providing waste disposal information
27	Participation in anti-litter campaigns to protect the environment
28	Sponsoring private or public initiatives to protect the environment
29	Promoting environmental awareness to the community through promotional tools
30	Receiving awards for environmental protection efforts
31	Tree plantation initiatives
	<b>Employees</b>
32	Efforts to eliminate pollutants and hazardous elements in the workplace
33	Organizing safety training for employees
34	Efforts to improve workplace safety
35	Information about workplace accidents and injuries

36	Efforts to reduce child labor and related actions
37	Arranging informative seminars and workshops for employees
38	Arranging recreational events for employees (sports, tours, etc.)
39	Sponsoring education for employees
40	Employee housing schemes
41	Providing health facilities to employees and their families
42	Pension funds and bonuses for employees
43	Stock options for non-managerial employees
44	Qarz Hassana (interest-free loans) for employees
45	Allowing special breaks for prayers
46	Relaxation of dress code for female employees (e.g. wearing abaya)
47	Day-care facilities, maternity and paternity leave
48	Providing information about the number of employees in the organization
49	Providing gender and minority-based statistics
50	Employment policies for physically challenged people
51	Statements showing compliance with labor laws
	<b>Energy</b>
52	Efforts to reduce energy consumption by installing energy-saving facilities
53	Disclosing the company's energy conservation policies
54	Efforts to conserve energy in business operations
55	Meeting energy needs by using waste materials as a source of energy
56	Voicing concerns about energy shortages to the government
	<b>Product</b>
57	Information about product development, packaging, and labeling
58	R&D projects to improve product quality
59	Information about meeting quality standards

60	The product meets current safety standards
61	Improvement of customer services and support
62	Information about precautionary measures while using the product
63	Information about the side effects of the product, if any
64	Information about the Halal status of the product

### **6.3 Stage II: Stakeholder Consultation- Assigning Weights to the CSRR**

#### **Items**

During the process of constructing the CSRR index, weights were assigned to the items in the index, and, as already noted, some new items were included in the CSRR index. There are two ways to assign weights to the items in the disclosure index: (a) assigning equal weights to each item and (b) allocating different weights based on the significance of the items in a particular context. Empirical information disclosure studies have used unweighted/equally weighted indices (e.g., Akhtaruddin, 2005; Alsaeed, 2006; Chakroun et al., 2017; Clarkson et al., 2008; Gamerschlag et al., 2011; Wallace, 1988) and differently weighted indices (e.g., Barako, 2007; Hooks et al., 2002; Suttipun, 2012; Yi & Davey, 2010).

The unweighted index assigns equal importance to all the items in the index (Akhtaruddin, 2005; Wallace, 1988). The unweighted approach is popular in academic research as it involves minimal subjectivity (Ahmed & Courtis, 1999; Ferguson, Lam, & Lee, 2002; Kamal, 2012) and simplicity in construction (Hooks, 2000). Some empirical studies that have used both the weighted and unweighted disclosure indices report no significant difference in the results (Choi, 1973; Inchausti, 1997). However, assigning equal weights to all items marginalizes the significance of relatively more important items in the disclosure index (Hooks et al., 2004), and thus other researchers have highlighted the need for a weighted approach. Proponents of the weighted approach argue that disclosure items and categories might differ in their significance in different contexts and, thus, should be assigned weights based on their relative importance and contextual realities (Adhikari & Tondkar, 1992; Coy & Dixon, 2004; Hanafi, Kasim, Ibrahim, & Hancock, 2009). While this introduces some level of subjectivity into the research design, Hooks et al. (2004) argue that adopting an equally weighted approach in itself is not free from personal bias and subjectivity: “treating all report disclosures as being of equal rank and

weight, even though there are obvious differences in content and importance, is itself a subjective decision” (p.83). It has also been argued that it is almost impossible to completely remove subjectivity in research (Hooks et al., 2004; Marston & Shrives, 1991), and, thus, the assignment of weights to individual items adds value to the disclosure index (Hooks, 2000). This study employs this approach by constructing a stakeholder-based weighted CSRR index for Pakistan.

### **6.3.1 Selection of the Stakeholders**

A review of the literature indicates that the number of stakeholder groups involved in weighting disclosure items ranges from one to many groups. For instance, Adhikari and Tondkar (1992) consulted only one stakeholder group (investors) as their user group to assign weights to the items in their disclosure instrument. They believed that different user groups may value disclosure items differently, and only relevant user groups should be consulted to avoid such differences. Conversely, Hooks (2000) posits that employing a single stakeholder group to score disclosure items might inherit biases, and therefore, more stakeholder groups should be consulted to marginalize such biases. For instance, An, Davey, Eggleton, and Wang (2015) used six stakeholder groups to score items in their Intellectual Capital disclosure instrument.

As discussed in the previous chapter, eight stakeholder groups were consulted to assign weights to the CSRR items in this study. The stakeholder groups included corporate managers, customers, religious clerics, investors, employees, auditors and accountants, government regulators, and academicians. The 18 experts who served on the panel for the consultative process were also contacted, and fifteen experts confirmed their availability to participate in this stage of the study. They recommended twenty-five other potential participants, from which twenty confirmed their willingness to participate. A further fifteen participants were subsequently identified through personal contacts and social networks. In total, 50 participants from eight stakeholder groups were selected to assign weights to the CSRR items and to suggest further, if any, modifications to the CSRR index.

### 6.3.2 Developing Weights of the Survey Questionnaire

In this step, the CSRR index was designed in the form of a survey questionnaire that allowed the stakeholders to assign weights to the various CSRR items. The survey questionnaire included three sections: (a) general information about the participants, (b) weighting of the CSRR items, and (c) any additional comments/suggestions participants wished to make for the inclusion of further CSRR items.

The first section of the questionnaire included participants' general demographic information, including name, gender, education, stakeholder group, and experience (in years). In the next section of the survey questionnaire, the participants were requested to assign weights to each CSRR item listed. The final section of the questionnaire included space for participants to suggest any other CSRR item(s) they felt should be added to the list.

This study used a 5-point Likert-type scale (see table 6.3) to record the level of importance stakeholders assign to different CSRR items. Although McLeod (2008) suggests that weighting scales can range anywhere from 3 to 9 pre-coded responses, the decision to opt for a 5-point Likert scale was owing to its ease in application and comprehension (Hooks, 2000). A 5-point Likert type scale arguably offers a more balanced approach as respondents tend to avoid extreme values on large rating scales (such as 7 or 9) to appear less extreme in their views, while only three categories may not provide sufficient discrimination (Jamieson, 2017). A 5-point scale limits the degree to which respondents can differentiate their responses and thus minimizes the chance of respondents having different interpretations of the importance level indicated by the same numerical value (Ingram & Robbins, 1992). Consistent with several information disclosure studies (Córcoles, 2013; Hooks et al., 2002; Schneider & Samkin, 2008; Singh & Kansal, 2011), this study adopted a 5-point scale that offered the following scoring system:

**Table 6.3: The 5-points Likert type Scale for Scoring**

1	2	3	4	5
Not Important	Less Important	Neutral	Important	Very Important

Once the questionnaire was ready, it was emailed to participants along with the participant information sheet, participant's consent form, and interview guide. This allowed participants sufficient time to read the questionnaire before the interviews took place and to know their rights as participants in the study. Both the English and Urdu translations of the questionnaires (see Appendices 7 & 8) were emailed to reduce any confusion or complications. The researcher scheduled meetings with participants to collect their responses and to conduct semi-structured interviews. Six new CSRR items, which had been proposed during this stage, were communicated to all stakeholders via a phone call or email to get their approval. The data collection process was completed in four months from June through to September in 2019.

### **6.3.3 Findings of the Questionnaire**

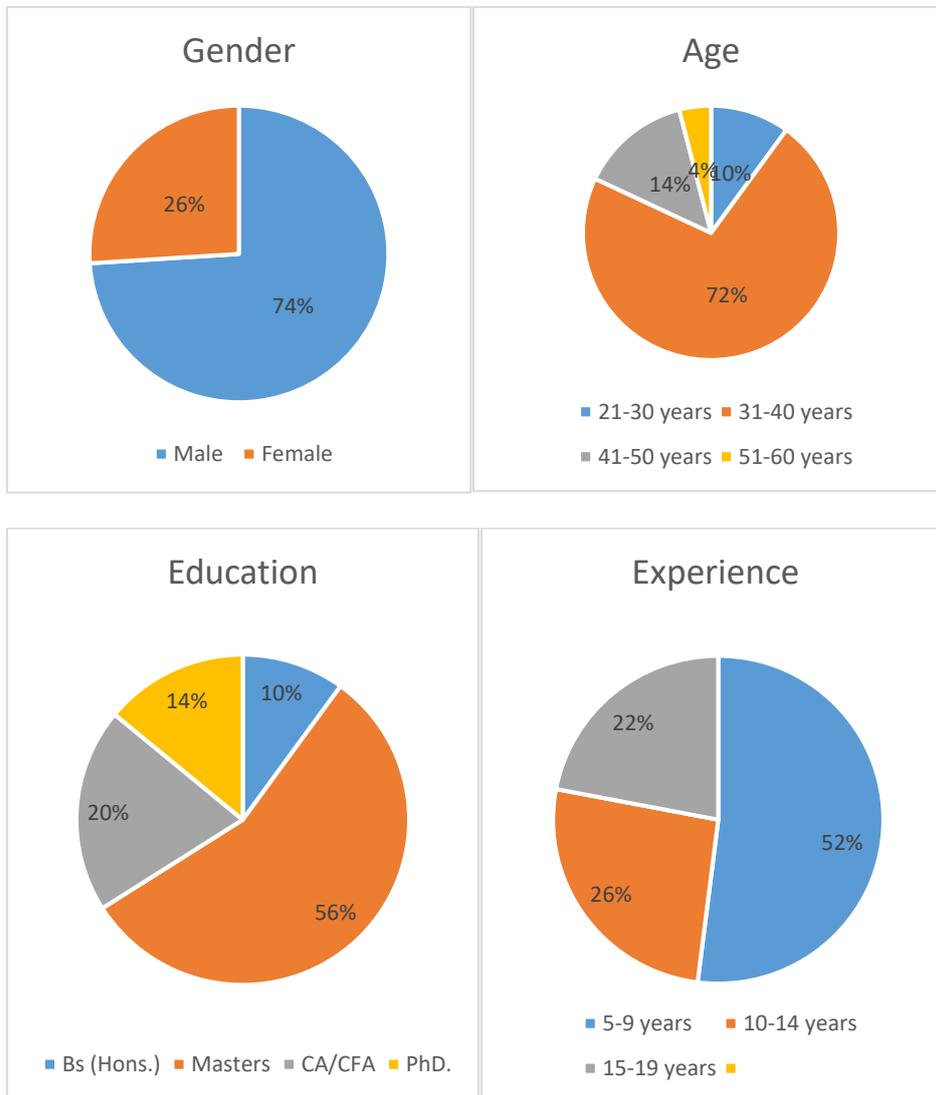
The findings of the survey questionnaires are discussed in three sections: brief information on the demographics of the participants, the scoring of the overall CSRR categories, and the scoring of each CSRR item separately to determine the level of importance it was assigned by the Pakistani stakeholders.

#### ***6.3.3.1 Demographics of the Participants/Respondents***

As discussed, fifty stakeholders belonging to eight stakeholder groups responded to the survey questionnaire. The mean age of the participants was 37.2 years with a standard deviation of 5.97. The age of the respondents ranged from 29 to 56 years, and almost 80% were between 30 and 40 years old. Seventy-four percent of the respondents were male, while 26% percent were female. The small percentage of female participants in the sample reflects the male-dominated nature of Pakistan society (Khan, Nawaz, Aleem, & Hamed, 2012) with low female participation in the corporate sectors (Tanaka & Muzones, 2016). With respect to education levels, 14% of the respondents had PhDs, 56% were Master's degree holders, 20% were CA or CFA, and 10% had bachelor's degrees. The level of experience in their respective fields ranged from 5 to 19 years, with an average of 10 years. Overall, this demographic information indicates that participants had substantial knowledge and experience about CSR, CSRR, and country-specific issues.

Figure 6.1 demonstrates the demographics of the participants in the study.

**Figure 6.1: The Demographics of the Participants**



### 6.3.3.2 Weighting of the CSRR Categories and Items

This section presents the weights assigned to the CSRR categories and CSRR items within the categories. The weights assigned to the CSRR items in each category were summed, and the total value was divided by fifty to get an average value. The CSRR categories and items with a higher mean value indicate higher importance and vice versa. Manikandan (2011) suggests that the mean value is a good representative of the data as it uses every value in the data sample. Similarly, assigning equal weights to each of the responses avoids producing misleading outcomes. Mean value accommodates the wide disparity of opinions from different stakeholders and is a good measure to summarize the response scores (Dinius & Rogow, 1988). As such, a majority of researchers use mean

values to calculate weights in their information disclosure studies (see, for instance, An et al., 2015; Clarkson et al., 2008; Coy & Dixon, 2004; Hooks et al., 2002).

### **Community Dimension**

Of the five CSRR categories, the stakeholder respondents in this study regarded the community dimension as the most important dimension. The community dimension received a mean score of 3.79<sup>35</sup> out of 5. A possible reason for this is that almost 39% of the Pakistani population lives below the poverty line (The National Disaster Consortium, 2019). With the government lacking sufficient resources to mitigate the country's widespread poverty, Pakistani stakeholders have looked to the corporate sector for different community development and support programs. As one business owner/manager commented:

It is very unfortunate to say that the state has not taken serious steps towards the development of the community, mainly because of the lack of resources, mismanagement, and corruption. Being the employers, people also expect us to initiate community development programs, which is tough for employers but again a must to consider reality. (CM2)

One academician emphasized the importance of community development programs as a leading factor for the improvement of other CSR dimensions:

.....things happen through people. Prosperity comes from prosperous people. Until the community is developed, you cannot do anything about energy, environment, product, etc. Therefore, to me, corporations should do more CSR for community upscaling and MUST report more on that. Community is the driving force to all those other CSR dimensions. (Acad3)

A third panelist emphasized the necessity of the corporate world prioritizing community development programs:

.... all are interlinked and are equally important. The community lives in a certain environment, the community makes employees, and the community consumes products, community use energy. So, all the other dimensions are for the good of the community. So, the ultimate end is the development of the community but again the other dimensions are equally important (Reg1).

The final draft of the CSRR index comprised 20 CSRR items related to the community dimension. The stakeholders suggested two new CSRR items that were deemed to be sufficiently important to the context of Pakistan to be added to the CSRR index: (i) promoting local business activities, and (ii) efforts to preserve the heritage and ancient

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<sup>35</sup> This is calculated as  $\sum X_1/20$ , where  $X_1$  is the mean of community-related CSRR items and 20 is the total number of community related CSRR items. In this case, taking  $\sum X_1= 75.8$  , mean=  $75.8/20 = 3.79$ .

sites. The stakeholders' responses to the community-related CSRR items are presented in table 6.4.

**Table 6.4: Stakeholders' Responses to the Community Dimension**

CSRR item	Frequency <sup>36</sup>					Mean <sup>37</sup>	Importance <sup>38</sup>
	1	2	3	4	5		
Setting up hospitals and healthcare centers for the local community	0	1	8	26	15	4.1	Important
Establishing universities, colleges or other educational institutions	0	1	11	28	10	3.9	Important
Providing scholarships and academic sponsorship to meritorious or/and needy students	0	7	18	16	9	3.5	Important
Providing scholarships to physically challenged students	0	1	6	23	20	4.2	Important
Sponsoring educational conferences and seminars	7	13	13	12	5	2.9	Neutral
Making charities and donations in the form of Zakat	0	0	2	19	29	4.5	Very Important
Organizing skill development projects for the local community	1	0	11	22	16	4.0	Important
Sponsoring national and international games and events	7	21	16	6	0	2.4	Less Important
Constructing roads and other infrastructures for the local community	0	0	20	25	5	3.7	Important
Constructing parks and other recreational facilities for the community	0	1	18	26	5	3.7	Important
Creating part-time job opportunities for students	0	1	1	25	5	3.7	Important
Arranging summer internship programs for students	0	0	8	30	12	4.1	Important
Clean drinking water facilities for the local people	0	0	8	22	20	4.2	Important
Quota system adopted to increase female employment rates	1	4	8	30	7	3.8	Important
Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)	0	0	5	27	18	3.9	Important
Providing support to acid and/or dowry victims	0	3	18	11	18	4.3	Important
Joint focus group discussion /community engagement to review their needs and expectations	0	2	15	25	8	3.8	Important
Providing support to the government in strengthening public service institutions	5	10	16	14	5	3.1	Neutral
Promote local business activities	0	1	17	27	5	3.7	Important
Efforts to preserve heritage and ancient sites	0	0	5	30	15	4.2	Important

<sup>36</sup> The number of stakeholders/respondents who assigned each of the ratings (total respondents=50)

<sup>37</sup> The mean =  $\sum(\text{the scores} \times \text{frequencies}) / \text{total number of respondents}$ . For instance, for item 1, mean =  $\sum(1*0 + 2*1 + 3*8 + 4*26 + 5*15) / 50 = 205 / 50 = 4.1$ .

<sup>38</sup> Refer to table 6.4.

Table 6.4 indicates that 80% (16 out of 20) of the CSRR items in this category were rated as important. One item, “making charities and donations in the form of Zakat”, was considered very important in the community category with a mean value of 4.5. About 58% (29 out of 50) of the stakeholders rated Zakat as very important, and another 38% (19 out of 50) ranked it as important. Given that Pakistan is a highly religious country and Zakat is one of the five pillars of Islam (Saad & Haniffa, 2014), these high scores for charities and Zakat are not surprising. The next CSRR item in this category which the Pakistani stakeholders regarded as most important, was “support to the victims of acid attacks<sup>39</sup> and dowry”, which received an average value of 4.3. Almost 58% of the respondents considered this item as either important or very important. Three of the items, “scholarships to physically challenged students”, “clean drinking water facilities”, and “preservation of heritage and ancient sites” were next in importance as they received an average value of 4.2 each. This was followed by “summer internship programs”, “construction of hospitals and health-care institutions” with a mean value of 4.1.

The CSRR items that were regarded as neutral in their importance were “sponsoring educational conferences and seminars” and “support for the government in strengthening public service institutions” with mean values of 2.9 and 3.1 respectively. The respondents raised concerns about the significance and the long-term sustainability of such projects and hence allocated neutral weights. Pakistani stakeholders felt that “corporate support in organizing national and international games and events” was the least important CSRR item in this category. Again, this is not surprising as the extreme level of poverty in the country renders sports and entertainment activities a secondary priority.

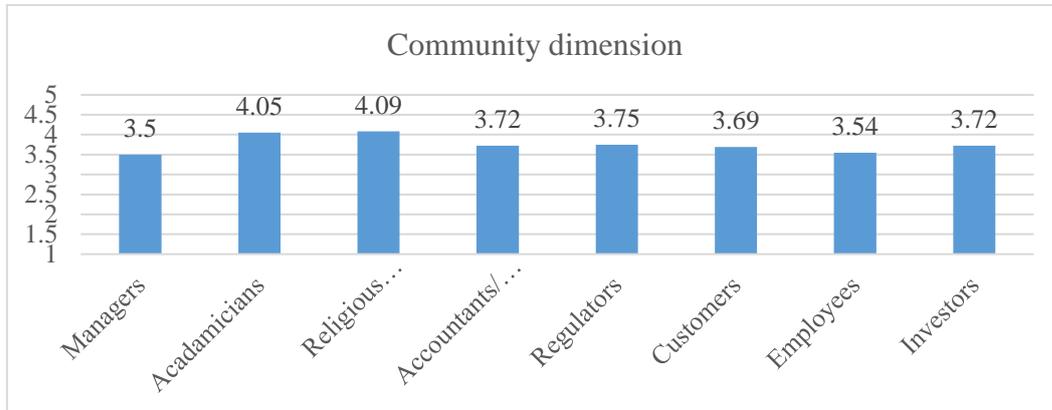
One stakeholder respondent (an accounting academician and entrepreneur) felt that the community category was important enough to be assigned the maximum score (a total value of 91 for the 20 community-related CSRR items). The lowest total value assigned to this category was 66, which was by a chartered accountant who was working at one of the “big 4” accountancy firms.

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<sup>39</sup> As per the Acid Survivors Foundation, there were about 1485 reported acid attack cases in Pakistan between 2007 and 2018 (Baloch, 2020)

A breakdown of the scores based on each shareholder group is presented in figure 6.2.

**Figure 6.2: Mean Values Assigned to the Community Dimension by Stakeholder Groups**



### **Environment dimension**

The environment dimension was regarded by stakeholder respondents as the next most important, with an overall mean value of 3.66<sup>40</sup>. Most respondents felt that the rising level of environmental degradation was a fundamental issue in Pakistan that required urgent attention. Respondents accused companies of playing a major role in Pakistan's environmental issues and doing little to address these issues:

.....but among them, I feel the environment is of high importance. The environment is highly exploited, deforestation is high. Companies should do more care of the environment and talk about their actions towards it in their CSRR. (Aud4)

Initially, the CSRR index consisted of 13 environment-related CSRR items. However, the stakeholders in this study suggested the addition of a further item: wildlife preservation policies and animal care programs. The final draft of the CSRR index comprised 14 environment-related items. The frequencies of the scores assigned to these items and the level of importance based on the mean values are presented in table 6.5.

<sup>40</sup> This is calculated as  $\sum X_2/14$ , where  $X_2$  is the mean of the environment-related CSRR items and 14 is the number of environment-related CSRR items. In this case, taking  $\sum X_2= 51.18$  ,  $X_2= 51.18/14 = 3.66$ .

**Table 6.5: Stakeholders' Responses to the Environment Dimension**

CSRR item	Frequency					Mean	Importance
	1	2	3	4	5		
Having a corporate environmental protection policy	0	0	13	21	16	4.1	Important
Incorporate environmental concerns in their business decisions	0	3	12	26	9	3.8	Important
Environment conservation by using recycled raw materials	0	0	15	24	11	3.9	Important
Having a recycling plant in the factory	0	0	18	22	10	3.8	Important
Installing facilities and equipment to control pollution	0	1	17	19	13	3.9	Important
Providing air emission information e.g. hazardous gases emitted	0	4	15	16	15	3.8	Important
Providing water disposal information	1	2	18	13	16	3.8	Important
Providing waste disposal information	1	2	21	12	14	3.7	Important
Participation in anti-litter campaigns to protect the environment	2	2	13	25	8	3.7	Important
Sponsoring private or public initiatives to protect the environment	0	5	20	19	6	3.5	Important
Promoting environmental awareness to the community	2	9	17	14	8	3.3	Neutral
Receiving awards for environmental protection efforts	33	13	4	0	0	1.5	Not important
Tree plantation initiatives	0	1	4	7	38	4.6	Very Important
Wildlife policies and animal care	1	2	21	12	14	3.7	Important

Table 6.5 indicates that “tree plantation initiatives” received the highest mean value of 4.6, and hence was regarded as the most important CSRR item in the environment dimension. This item also received the highest mean value in the overall CSRR index. There are two possible reasons why tree plantation initiatives are regarded with such importance: (i) Islam highly emphasizes tree plantation, and (ii) Pakistan needs extensive tree plantation to counter the devastating impacts of climate change and deforestation. Of the 14 CSRR items in the environment dimension, 11 items were considered as important (78.5%), with “environmental protection policy” receiving a mean value of 4.1, “recycled raw materials” and “pollution controlling equipment” receiving a mean value of 3.9, and four items receiving a mean value of 3.8 out of 5.

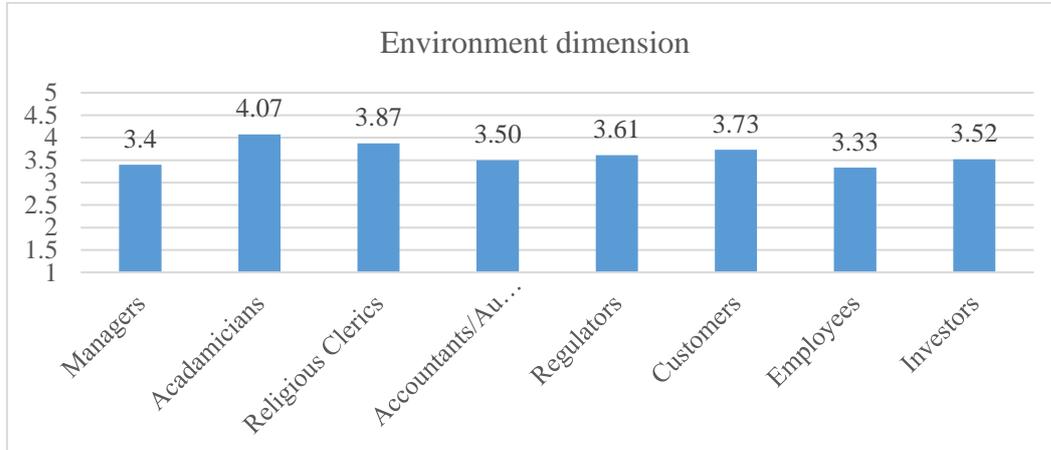
The promotion of environmental awareness to the community was the only neutrally important item with a mean value of 3.3. One respondent felt that the onus should be on corporations, rather than the community:

..... if corporations perform their due environmental responsibilities, it would be reflected in their actions and thus there would be no need for any awareness programs, which seems to be more or less a reputation-building activity. (Act3)

The item that scored the lowest in the environment dimension, and across the entire CSRR index, was corporate disclosure of awards received for environmental protection efforts, which was assigned a mean value of 1.5. Most respondents perceived this item as an act to enhance the reputation and image of the corporation and felt that it had no real impact on the environment or society.

An analysis of the values assigned by individual stakeholders reveals that respondent number 19 (an auditor in a corporation) and respondent number 35 (a customer) assigned the highest scores of 67 to the environment dimension. The lowest value assigned to this dimension, was by respondent number 15 (an accountant in a local construction company) who allocated a total value of 36. A possible explanation for this is that construction companies are a major contributor to the pollution of the environment, and their employees may therefore be less inclined to prioritize environmental issues. The figure below presents the mean values assigned by each stakeholder group to the environmental dimension of CSRR.

**Figure 6.3: Mean Values Assigned to the Environment Dimension by Stakeholder Groups**



## **Employee Dimension**

The employee dimension of CSRR received the next highest mean value of 3.43<sup>41</sup>. Stakeholders in this study raised concerns about the inhumane working conditions and exploitation of employees that are commonplace within the Pakistani corporate sector. For instance, an academician who worked as a trainer in a reputable steel producing company commented:

....their employees lack communication skills. Their female staff consider themselves submissive and are not treated well; they get lower wages compared to their male counterparts. There is a lot of noise pollution, there are safety issues for workers. (Acad1)

A representative of one of the regulatory bodies also felt that the employee dimension of CSRR was very important:

....I think employees' CSR disclosure should be of high priority in Pakistan. Labor laws are not regulated and implemented. Corporations exploit their employees and this needs to be reported how corporations take care of their employees. (Reg2)

Respondents also suggested some changes for the employee dimension of the CSRR index, including the addition of two new items: (i) quota system adopted for minorities and (ii) discussion on fair and transparent recruitment policy. They also felt that the CSRR item, “the number of employees in the organization” was unnecessary as it was already covered by another item: “statistics about gender and minorities”. These two items were subsequently merged into a single item and the final list of employee-related CSRR items consisted of 21 items in total. The level of importance individual stakeholders attributed to each employee-related CSRR item using the 5-point Likert scale, and the frequency of these scores, are provided in table 6.6.

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<sup>41</sup> This is calculated as  $\sum X_3 / 21$ , where  $X_3$  is the mean of employee-related CSRR items and 21 is the total number of employee-related CSRR items. Taking  $\sum X_3 = 72.06$ ,  $X_3 = 72.06 / 21 = 3.43$ .

**Table 6.6: Stakeholders' Responses to the Employee Dimension**

CSRR item	Frequency					Mean	Importance
	1	2	3	4	5		
Efforts to eliminate pollutants and hazardous elements in the workplace	0	0	9	23	18	4.2	Important
Organizing safety training for employees	0	2	13	29	9	3.8	Important
Efforts to improve workplace safety	0	1	10	28	11	4.0	Important
Information about workplace accidents and injuries	2	5	14	19	10	3.6	Important
Efforts to reduce child labor and related actions	2	0	13	16	19	4.0	Important
Arranging informative seminars and workshops for the employees	0	5	22	19	4	3.4	Neutral
Arranging recreational events for employees (sports, tours, etc.)	4	11	14	19	2	3.1	Neutral
Sponsoring education for employees	1	2	20	23	4	3.5	Important
Employee housing schemes	1	3	21	22	3	3.5	Important
Providing health facilities for employees and their families	0	4	14	25	7	3.7	Important
Pension funds and bonuses for employees	2	10	19	10	9	3.3	Neutral
Stock options for non-managerial employees	12	14	12	8	4	2.6	Neutral
Qarz Hassana (interest-free loans) for employees	0	2	15	25	8	3.8	Important
Allowing special breaks for prayers	1	2	11	20	16	4.0	Important
Relaxation of dress code for female employees (e.g. wearing abaya)	2	3	6	23	16	4.0	Important
Daycare facilities, maternity and paternity leave	1	1	14	24	10	3.8	Important
Providing gender and minority-based statistics	0	4	23	22	1	3.4	Neutral
Employment policies for physically challenged people	1	10	24	9	6	3.2	Neutral
Statements showing compliance to the labor laws	30	18	2	0	0	1.4	Not Important
Quota system adopted for minorities	5	10	22	11	2	2.9	Neutral
Discussion on fair and transparent recruitment policy	5	8	25	8	4	3.0	Neutral

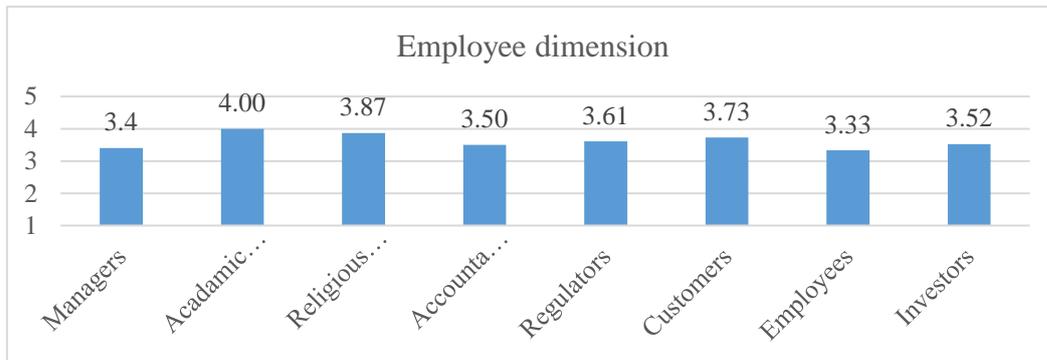
The table indicates that respondents considered 57% (12 out of 21) of the employee-related items as important. No single item was scored as very important on the 5-point Likert scale. The highest mean value, 4.2, was linked to “corporate efforts to eliminate pollution in the workplace” and the next four highest items were “workplace safety”, “prevention of child labor”, “special prayer breaks”, and “relaxation of dress code for female employees”, all of which were allocated a mean value of 4.0.

A considerable proportion of employee-related CSRR items (38%) were rated as neutral in importance. These items include “informative seminars for employees”, “pension

funds”, “stock options”, “recreational events”, and “a quota system for minorities”. This finding may be related to the high unemployment levels in Pakistan which render a willingness to work in any conditions and minimal expectations of the corporate sector. Finally, the item “statement showing compliance with the labor laws” received the lowest mean value of 1.4 (not important). This was because most stakeholders felt that corporations adopted a highly superficial approach in disclosing their compliance.

The highest individual score assigned to the employee dimension of the CSRR index was 90 by an academician at a reputed business school, who also assigned 17 items in this dimension (81%) with a value of 4 or 5. The lowest value assigned to this dimension was 48, by a regulator working in the environment sector. The mean values assigned by each stakeholder group is presented in figure 6.4:

**Figure 6.4: Mean Values Assigned to the Employee Dimension by Stakeholder Groups**



### **Energy dimension**

Pakistani stakeholders regarded the energy dimension as the fourth most important CSR category, with a mean value of 3.38<sup>42</sup> out of 5. Respondents suggested that energy conservation should be one of the priorities for the corporate sector as energy shortfalls were a persistent issue for the country. According to an accountant:

....To me, the energy crisis should be dealt with priority. We are facing an energy challenge that is affecting our industries, GDP, and causing unemployment. (Act: 4)

The final draft of the CSRR index had consisted of five CSRR items related to the energy dimension and respondents proposed no further changes for this dimension. The level of

<sup>42</sup> This is calculated as  $\sum X_4/5$ , where  $X_4$  is the mean of energy-related CSRR items and 5 is the total number of energy-related CSRR items. Here,  $\sum X_4= 16.90$  ,  $X_4= 16.90/5 = 3.38$ .

importance individual stakeholders attributed to each energy-related CSRR item using the 5-point Likert scale, and the frequency of these scores, are provided in table 6.7.

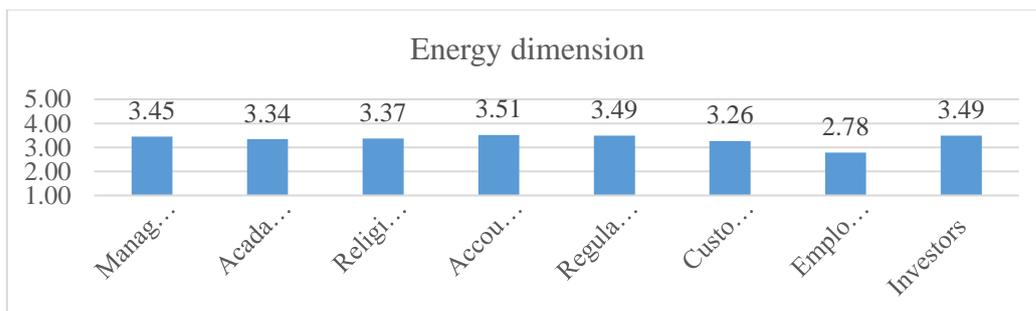
**Table 6.7: Stakeholders’ Responses to the Energy Dimension**

CSRR item	Frequency					Mean	Importance
	1	2	3	4	5		
Efforts to reduce energy consumption by installing energy-saving facilities	0	4	25	17	4	3.4	Neutral
Disclosing company’s energy conservation policies	3	7	25	15	0	3.0	Neutral
Efforts to conserve energy in business operations	0	1	18	24	7	3.7	Important
Meeting energy needs by using waste materials as a source of energy	2	11	18	18	1	3.1	Neutral
Voicing concerns about energy shortages to the government	2	3	18	17	10	3.6	Important

Table 6.7 shows that the majority of the items, 3 out of 5, were assigned neutral importance by the stakeholders. Only two items were weighted as important in this dimension: “conservation of energy in the business operations”, with a mean value of 3.7, and “voicing energy shortages to the government” with a mean value of 3.6. Of the various items in this dimension, policy disclosure regarding corporate energy conservation ranked the least important. This follows the pattern of the item scores for the other dimensions wherein stakeholders place greater value on real and impactful corporate actions, and view policy disclosures as effectively image-enhancing mechanisms for corporations.

In terms of individual stakeholders, three respondents (two religious scholars and an auditor) assigned the highest score of 20 to the energy dimension of CSRR. The lowest score, 12, was assigned by an academician, followed by an incrementally higher score of 13 by a customer. The following figure presents the mean values assigned to the energy dimension by stakeholder groups.

**Figure 6.5: Mean Values Assigned to the Energy Dimension by Stakeholder Groups**



**Product dimension**

Of the five CSRR dimensions, the product dimension received the lowest overall mean value of 3.14<sup>43</sup> out of 5. Again, this finding may be linked to the poverty and lack of employment opportunities in the country; people with fewer resources are less concerned about the quality of the products they use. Indeed, one respondent in this study suggested that price, not quality, is the major issue faced by Pakistani consumers. He argued that product development and quality has less relevance to the Pakistani context compared to the other dimensions of CSR and CSRR:

... if I have to decide between buying from a CSR oriented company and another, I would buy from the former given that the product price is the same. For me, social uplift, poverty eradication, and the environment are highly important. (Cons1)

Respondents in the study proposed some changes to the CSRR items in the product dimension, including the addition of a new item to the CSRR index: “awareness about the counterfeit product market”. Stakeholders felt that this topic should be covered in the annual reports of corporations as many counterfeit brands produce poor-quality products at the same price as the original brands. Respondents also suggested that corporations should disclose information to accommodate the “dietary and religious needs of minorities”. The final draft of the CSRR index consisted of ten CSRR items relating to the product dimension. The level of importance attributed by individual stakeholders to each energy-related CSRR item using the 5-point Likert scale, and the frequency of these scores, are provided in table 6.8.

**Table 6.8: Stakeholders’ Responses to the Product Dimension**

CSRR item	Frequency					Mean	Importance
	1	2	3	4	5		
Information about product development, packaging, and labeling	0	13	17	18	2	3.2	Neutral
R&D projects to improve product quality	0	6	15	17	12	3.7	Important
Information about meeting quality standards	0	5	27	15	3	3.3	Neutral
Information about meeting safety standards	4	17	21	7	1	2.7	Neutral
Improvement of customer services and support	8	16	21	4	1	2.5	Neutral
Information about precautionary measures while using the product	8	20	21	1	0	2.3	Less important

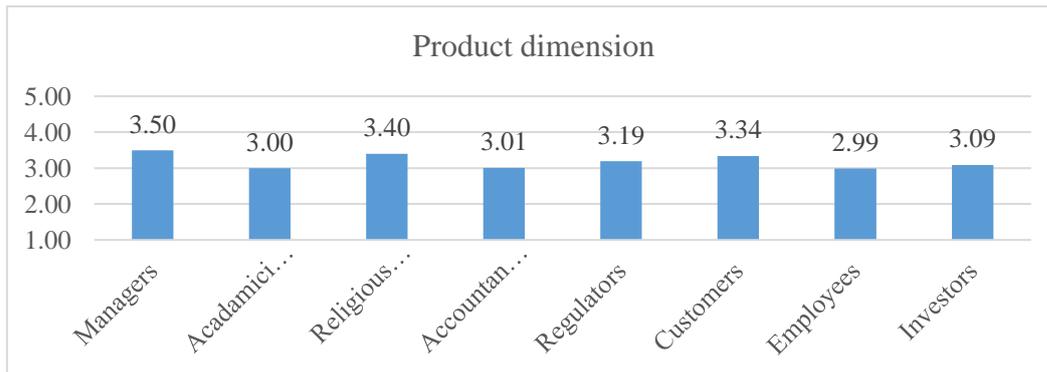
<sup>43</sup> This is calculated as  $\sum X_5/10$ , where  $X_5$  is the mean of product-related CSRR items and 10 is the number of product-related CSRR items. As,  $\sum X_5= 31.40$ , thus,  $X_5= 31.40/10 = 3.14$ .

Information about the side effects of the product, if any	7	16	16	8	0	2.5	Neutral
Information about the Halal status of the product	0	0	6	10	34	4.6	Very Important
Awareness about counterfeit production market	0	5	30	14	1	3.2	Neutral
Minorities' needs for dietary requirements	0	4	24	16	6	3.5	Important

Table 6.8 indicates that 60% (6 out of 10) of the product-related CSRR items were ranked as being of neutral importance. Only one item, “information about the Halal status of the product”, was considered as highly important, achieving the highest mean value (along with Zakat) across the entire CSRR index. The ratio of the Muslim population in Pakistan, and thus, the importance of halal products, makes this an unsurprising finding. Two items were weighted as important: “minorities’ needs for dietary requirements” and “R & D projects to improve product quality”. The CSRR item that received the lowest weight in this category was “disclosure about the precautionary measures while using the product”. As one respondent observed, precautionary information is most relevant when it is provided on the product’s packaging rather than in CSRR.

The highest score assigned to the energy dimension by an individual respondent was 38 and the lowest score was 22. The mean values assigned to the product dimension of CSRR by stakeholder groups are presented in figure 6.6.

**Figure 6.6: Mean Values Assigned to the Product Dimension by Stakeholder Groups**



As discussed earlier, in addition to allocating weights to individual CSRR items, the Pakistani stakeholders were given the opportunity to propose amendments to the CSRR index. The final draft of the CSRR index consisted of 70 CSRR items.

A summary of the CSRR index and the level of importance assigned to each CSRR item is presented below in table 6.9.

**Table 6.9: Final Draft of the Stakeholders' based CSRR Index for Pakistan**

	<b>CSRR items</b>	<b>Importance</b>
	<b>Community</b>	<b>Important</b>
1	Setting up hospitals and healthcare centers for the local community	Important
2	Establishing universities, colleges, or other educational institutions	Important
3	Providing scholarships and academic sponsorship to meritorious or/and needy students	Important
4	Providing scholarships to physically challenged students	Important
5	Sponsoring educational conferences and seminars	Neutral
6	Making charities and donations in the form of Zakat	Very important
7	Organizing skill development projects for the local community	Important
8	Sponsoring national and international games and events	Less important
9	Constructing roads and other infrastructures for the local community	Important
10	Constructing parks and other recreational facilities for the community	Important
11	Creating part-time job opportunities for students	Important
12	Arranging summer internship programs for students	Important
13	Clean drinking water facilities for the local people	Important
14	Quota system adopted to increase female employment rates	Important
15	Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)	Important
16	Providing support to acid and/or dowry victims	Important
17	Joint focus group discussion/community engagement to review their needs and expectations	Important
18	Providing support to the government in strengthening public service institutions	Neutral
19	Promote local business activities	Important
20	Efforts to preserve the heritage and ancient sites	Important
	<b>Environment</b>	<b>Important</b>
21	Having an environmental protection policy	Important
22	Incorporate environmental concerns in their business decisions	Important
23	Environment conservation by using recycled raw materials	Important
24	Having a recycling plant in the factory	Important
25	Installing facilities and equipment to control pollution	Important
26	Providing air emission information e.g. hazardous gases emitted	Important
27	Providing waste water disposal information	Important
28	Providing waste disposal information	Important
29	Participation in anti-litter campaigns to protect the environment	Important

30	Sponsoring private or public initiatives to protect the environment	Important
31	Promoting environmental awareness to the community	Important
32	Receiving awards for environmental protection efforts	Not Important
33	Tree plantation initiatives	Very Important
34	Wildlife policies and animal care	Important
	<b>Employees</b>	<b>Neutral</b>
35	Efforts to eliminate pollutants and hazardous elements in the factories	Important
36	Organizing safety training for employees	Important
37	Efforts to improve workplace safety	Important
38	Information about workplace accidents and injuries	Important
39	Efforts to reduce child labor and related actions	Important
40	Arranging informative seminars and workshops for employees	Neutral
41	Arranging recreational events for employees (sports, tours, etc.)	Neutral
42	Sponsoring education for employees	Important
43	Employee housing schemes	Important
44	Providing health facilities to employees and their families	Important
45	Pension funds and bonuses for employees	Neutral
46	Stock options for non-managerial employees	Neutral
47	Qarz Hassana (interest-free loans) for employees	Important
48	Allowing special breaks for prayers	Important
49	Relaxation of dress code for female employees (e.g. wearing abaya)	Important
50	Day-care facilities, maternity and paternity leave	Important
51	Providing gender and minority based statistics	Neutral
52	Employment policies for physically challenged people	Neutral
53	Statements showing compliance with the labor laws	Not Important
54	Quota system adopted for minorities	Neutral
55	Discussion on fair and transparent recruitment policy	Neutral
	<b>Energy</b>	<b>Neutral</b>
56	Efforts to reduce energy consumption by installing energy-saving facilities	Neutral
57	Disclosing the company's energy conservation policies	Neutral
58	Efforts to conserve energy in business operations	Important
59	Meeting energy needs by using waste materials as a source of energy	Neutral
60	Voicing concerns about energy shortages to the government	Important
	<b>Product</b>	<b>Neutral</b>
61	Information about product development, packaging, and labeling	Neutral
62	R&D projects to improve product quality	Important
63	Information about meeting quality standards	Neutral
64	The product meets the safety standards	Neutral
65	Improvement of customer services and support	Neutral

66	Information about precautionary measures while using the product	Less important
67	Information about the side effects of the product, if any	Neutral
68	Information about the Halal status of the product	Very Important
69	Awareness about counterfeit production market	Neutral
70	Minorities' needs for dietary requirements	Important

#### **6.4 Stage III: Extent and Quality Criteria to Evaluate CSRR in Pakistan**

Following the finalization of the CSSR items on the index and the allocation of weights to the items, the next stage of the study involved the evaluation of the extent and quality of CSRR practices of Pakistani firms. However, before proceeding to the next stage, it was important to choose appropriate criteria for the evaluation of the extent and quality of CSRR. The extent of the disclosure can be defined as the amount or quantity of information reported by a company (Chakroun & Hussainey, 2014). As previously noted, researchers have used different measurements including the number of words, sentences, and pages to determine the extent of CSRR (see, for instance, da Silva Monteiro & Aibar-Guzmán, 2010; Gamerschlag et al., 2011; Guthrie, Cuganesan, & Ward, 2008; Moneva & Llana, 2000; Naser & Hassan, 2013; Ratanajongkol et al., 2006). However, as Ng (1985) argues, using the number of pages to measure the extent of CSRR is inappropriate as page sizes, font sizes, and column sizes of annual reports will vary from company to company. Using words as a measurement unit also involves challenges as it is often difficult to decide which specific words relate to CSRR which, in turn, leads to disagreements between coders (Hackston & Milne, 1996). In line with previous research (see, for instance, Buhr, 1998; Hackston & Milne, 1996; Yusoff, Mohamad, & Darus, 2013), the number of sentences making references to CSRR is used as a measurement unit to evaluate the extent of CSRR.

In conjunction with assessing the extent of CSSR by Pakistani listed companies, this study seeks to assess the quality of CSRR. Disclosure quality relates to the completeness, accuracy, reliability, comprehensiveness, and quantity of the information disclosed (Brown & Hillegeist, 2003; Singhvi & Desai, 1971; Wallace, Naser, & Mora, 1994). Although researchers believe that assessing the quality of disclosures is a difficult and challenging task (Botosan, 1997), disclosure quality assessment helps to distinguish between good and poor reporting (Hooks et al., 2004). Indeed, the value derived from a

quality evaluation of CSRR in Pakistan supersedes the challenges of the task itself and this study thus adopts a quality criterion to carry out one of its key research objectives.

Accounting studies have used various scales to evaluate the quality of reporting in areas such as internet reporting, CSRR, and intellectual capital. The majority of these studies have used a 2-point scale (0-1) where 0 denotes non-disclosure and 1 indicates the disclosure of items (Alsaeed, 2006; Brammer & Pavelin, 2008; García-Ayuso & Larrinaga, 2003; Guthrie, Cuganesan, & Ward, 2008; Naser & Hassan, 2013; Stanny & Ely, 2008). However, the binary approach only checks for the absence or presence of items and not the quality of reporting. Other studies have therefore employed a 3-point scale (Coy et al., 1993; Wong & Gardner, 2005), a 4-point scale (Guthrie et al., 1999), and a 5-point scale (Hooks et al., 2002).

This study adopts a five-point scale (1-5) following some other studies (Firer & Williams, 2005; Hooks, Coy, & Davey, 2001; Schneider & Samkin, 2008; Shareef, 2003). Initially, consideration was given to offering a Non-Applicable (N/A) option for CSRR items that do not relate to certain industries. However, following consultation with the supervisory panel, it was eventually decided that the CSRR items in the index relate to almost all the industries in some way, leaving the “N/A” option redundant. The quality criterion adopted in the content analysis of the annual reports in this study is presented in table 6.10.

**Table 6.10: Quality Criterion using a 5-point scale**

1	Non-disclosure/trivial	The item is either not disclosed or only trivial information is provided in the annual report.
2	Obscure	The item is discussed in limited references or value comments while discussing other topics and themes.
3	Descriptive	The item appears in a discursive/narrative form with a clear impact on the company.
4	Quantitative/monetary	The item is stated in quantitative form or monetary values including a clear impact on the company.
5	Quantitative/monetary and descriptive/graphics	The quantitative/monetary information is supplemented with descriptive statements and graphics.

Adapted from Firer and Williams (2005)

## 6.5 Stage IV: Pilot Testing of the CSRR Index

Before conducting the content analysis of CSRR of the Pakistani companies, the reliability and validity of the CSRR index needed to be checked. Two rounds of pilot testing of the CSRR index were conducted. Rogers (2001) defines pilot testing as “the methods used by developers to try out the materials to ensure they are understood, properly employed, and learned” (p.11). Pilot testing involves the specific pre-testing of the research instrument, a process designed to increase the likelihood of the successful application of the instrument (Van Teijlingen & Hundley, 2002).

In this study, the CSRR index was pilot tested on five companies listed on the Pakistani Stock Exchange (PSX). Two assessors, the researcher, and another Ph.D. candidate at the Institute of Management Sciences in Pakistan completed the pilot testing in two rounds. Before the pilot test, the researcher covered key information with the other assessor, including the purpose of the study, the development of the CSRR index, and its application in the study. The CSRR items in the index and the extent and quality criteria were also explained to the assessor. This comprehensive briefing lasted for approximately two and a half hours. The following decision rules/guidelines<sup>44</sup> were agreed upon before conducting the pilot tests:

- The assessors should carefully read and understand the CSRR categories and items in the CSRR instrument, and seek an explanation if needed.
- The assessors should not skim but read the annual reports completely as companies might have provided key information in different sections.
- If different words are used for CSRR activities, they should still be considered CSRR items.
- The assessors should carefully read the sentences with more than one CSRR item and decide which item is mostly emphasized.
- The assessors should not consider any implied sentence as a CSRR item.
- Any disclosure item that is discussed repeatedly shall be counted as a separate sentence each time it is discussed.

To test the inter-rater reliability of the two assessors, Krippendorff's alpha<sup>45</sup> was used. Krippendorff's alpha is considered an appropriate test for reliability as it can be applied

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<sup>44</sup> Adapted from Hackston & Milne, 1996 p. 108.

<sup>45</sup> Krippendorff's alpha is an Interrater reliability test in SPSS (Statistical Package for Social Sciences).

to any number of assessors, categories, level of measurement (nominal, ordinal, ratio, interval, etc.), incomplete or/and missing data, and it treats small and large sample sizes alike (Krippendorff, 2011). For these reasons, Krippendorff's alpha has been widely used by researchers to check inter-rater reliability while performing the content analysis (see, for instance, Beck, Campbell, & Shrives, 2010; Bozzolan, Favotto, & Ricceri, 2003; De Swert, 2012; Lombard, Snyder-Duch, & Bracken, 2002; Md Zaini, Sharma, Samkin, & Davey, 2020; Milne & Adler, 1999).

### 6.5.1 Pilot Test-Round One

In the first round of pilot testing, each assessor used the CSRR index and the extent and quality criteria to code the annual reports of five companies listed on the Pakistan Stock Exchange. The scores assigned by the assessors/coders were compared to check for any variations in the outcomes (see Appendix 8 for the scores of the first round of the pilot test). The values estimated for Krippendorff's alpha in the first round of pilot testing are provided in table 6.11 below.

**Table 6.11: Krippendorff's Alpha values for Pilot test- Round One**

Company	Krippendorff's Alpha value
Company A	0.66
Company B	0.85
Company C	0.68
Company D	0.84
Company E	0.71

The acceptable level of reliability for Krippendorff's alpha is set to the customary requirement of  $\alpha \geq 0.800$  (Krippendorff, 2004). Previous accounting researchers, including Milne and Adler (1999), Md Zaini et al. (2020), and Smith and Taffler (2000), have also used this value for Krippendorff's alpha as a cut-off point. Table 6.10 indicates that inter-rater reliability was achieved in the case of company B and company D (where  $\alpha \geq 0.80$ ), but not for companies A, C, and E (as  $\alpha < 0.80$ ). This means that the assessors assigned different scores to the CSRR items in the disclosure index while analyzing the same annual reports. This prompted a meeting between the two assessors to ascertain the reasons for the discrepant scores.

The discussion between the two assessors made apparent three main challenges that led to the discrepant scoring of CSRR items:

- *The differences in the style and designs of the annual reports:* different companies presented information differently in their annual reports. Some companies provided key information on CSRR in the notes section which was overlooked by one of the assessors, leading to differences in the results.
- *The differences in the mode of information presented:* some companies used tables to discuss their CSR activities, while others did not. This led to scoring discrepancies between the two assessors as it was unclear whether the content in tables should be counted as actual sentences.
- *Overlapping CSRR items:* some CSRR items were found to overlap with each other, making it difficult for assessors to determine which CSRR item should be identified in relation to the content.

To resolve these issues, the two assessors thoroughly discussed the reasons behind their different scores for each CSRR item. The assessors agreed to carefully read each sentence of the annual reports to avoid missing any important information. It was also agreed that one row in a table would be considered equivalent to one sentence. The overlapping/ambiguous sentences in the annual reports were also discussed to decide which CSRR items should be identified in those sentences. Finally, it was agreed that any ambiguity faced in round two of the pilot test should be discussed before scores were assigned. The two assessors scored the annual reports again to see if agreement in the results was achieved.

### 6.5.2 Pilot Test- Round Two

The second round of pilot tests indicated that an acceptable level of interrater reliability has been achieved. This is evident from Krippendorff's alpha values presented in table 6.12 below:

**Table 6. 12: Krippendorff's Alpha values for Pilot test- Round two**

Company	Krippendorff's Alpha value
Company A	0.92
Company B	0.96
Company C	0.93
Company D	0.98
Company E	0.92

Although Krippendorff's alpha values for the companies were now all greater than 0.80, there were still some minor differences in the scores assigned. For instance, company E received slightly different values from the two assessors for item 23. The main reason for the difference in the scores was some basic calculation error that was discussed, reassessed, and rectified. Also, items 24 and 37 received different scores due to differences in opinion while deciding the quality values, however, the scores were left unchanged to minimize any manipulations and personal bias. The scores in the second round of pilot tests compared to that in the first round were in higher agreement (see appendix 9). At this point, it was decided that the CSRR index was ready to be used for the content analysis of the CSRR of Pakistani companies, which is discussed in the next chapter.

## **6.6 Conclusion**

This chapter discussed the construction of the CSRR index that is used in this thesis to assess the extent and quality of CSRR in Pakistan. Initially, a preliminary CSRR index was constructed using extant CSRR studies, CSRR regulations, and issues that were identified as pertinent to Pakistan. The preliminary CSRR index was then modified and validated through a two-round consultation process with eighteen Pakistani accountants and CSRR experts. This was followed by a questionnaire survey and interview sessions with 50 Pakistani stakeholders from eight different stakeholder groups, to assign weights to the items in the CSRR index. To calculate the weightings for each item, the ratings assigned to the CSRR items were summed, and the total value was divided by fifty to get an average value.

In the next step, the criteria to evaluate the extent and quality of CSRR in Pakistan was established. Following some extant studies (Firer & Williams, 2005; Hooks et al., 2001; Schneider & Samkin, 2008; Shareef, 2003), it was decided that a 5-point scale (1-5) should be adopted to assess the quality of CSRR in Pakistan, while the extent of CSRR could be ascertained by counting the number of sentences that referred to CSRR items. Finally, the CSRR index was pilot tested by two assessors who looked over five annual reports to check and improve the reliability and validity of the CSRR index. The discrepancies in the scores from the first round of the pilot test were discussed and required changes were made. The second round of pilot testing was then conducted, which

indicated that the CSRR index was ready to be used for evaluating the extent and quality of CSRR of Pakistani companies.

The next chapter presents the findings of the content analysis of the annual reports produced by the Pakistani companies examined by this thesis.

## **Chapter Seven**

### **Evaluation of the Extent and Quality of CSRR in Pakistan**

#### **7.1 Introduction**

This chapter presents the findings of the content analysis of the annual reports of Pakistani corporations. The context-specific CSRR index developed in Chapter 6 was used as a tool to analyze and evaluate the extent and quality of CSRR practices of the top twenty-five Pakistani companies for the years 2015-2019. Content analysis is a research technique that enables a researcher to analyze the meaning of texts by the quantification and investigation of the information in a structured and objective manner to make contextual inferences about the hidden meanings of the text (Denscombe, 1998; Krippendorff, 2004). As discussed in Chapter 5, sentence count is used to assess the extent of CSRR, while a 5-point Likert scale is used as a quality criterion to evaluate the quality of CSRR in Pakistan.

The chapter is divided into the following sections. Section 7.2 presents a discussion on the extent and quality of community-related CSRR in Pakistan. This is followed by an evaluation of the extent and quality of environment-related CSRR in section 7.3., employee-related CSRR in section 7.4, energy-specific CSRR in section 7.5, and product-specific CSRR in section 7.6. Section 7.7 provides an industry-wise breakdown of the extent and quality of CSRR in Pakistan. Finally, Section 7.8 summarizes and concludes the chapter.

#### **7.2 Community Dimension: Extent and Quality of CSRR**

This section outlines the extent and quality of community-related CSRR for the period 2015-2019. The community dimension of the CSRR index consisted of twenty CSRR items that Pakistani stakeholders had deemed important in the context of Pakistan.

##### **7.2.1 Extent of Disclosures**

As discussed earlier, the extent of disclosures is measured by the number of sentences disclosed on each item in an annual report. Table 7.1 provides details on the extent of community-related disclosure:

**Table 7.1: Extent of Community-related CSRR**

CSRR item	Year				
	2015	2016	2017	2018	2019
Setting up hospitals and healthcare centers for the local community	5.77	6.16	6.04	6.36	8.12
Establishing universities, colleges, or other educational institutions	5.19	5.44	5.67	6.80	7.20
Providing scholarships and academic sponsorship to meritorious or/and needy students	1.58	1.64	1.75	2.68	3.08
Providing scholarships to physically challenged students	0.15	0.28	0.17	0.24	0.28
Sponsoring educational conferences and seminars	1.77	1.24	1.50	2.00	2.24
Making charities and donations in the form of Zakat	2.35	2.68	3.13	3.12	3.24
Organizing skill development projects for the local community	2.69	2.44	2.67	4.12	4.68
Sponsoring national and international games and events	1.54	2.04	2.17	2.72	3.08
Constructing roads and other infrastructures for the local community	1.46	1.4	1.46	2.28	2.00
Constructing parks and other recreational facilities for the community	0.42	0.36	0.42	0.64	0.60
Creating part-time job opportunities for students	0.08	0.08	0.04	0.20	0.20
Arranging summer internship programs for students	1.04	1.20	1.17	1.08	1.24
Clean drinking water facilities for the local people	0.92	0.76	1.04	1.44	1.52
Quota system adopted to increase female employment rates	0.27	0.00	0.00	0.00	0.20
Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)	1.65	1.92	1.63	1.84	1.88
Providing support to acid and/or dowry victims	0.04	0.12	0.13	0.16	0.16
Joint focus group discussion /community engagement to review their needs and expectations	1.96	2.16	2.04	2.36	2.32
Providing support to the government in strengthening public service institutions	2.15	2.28	2.63	3.28	3.36
Promote local business activities	1.54	1.08	0.79	1.64	1.88
Efforts to preserve the heritage and ancient sites	0.08	0.12	0.67	0.36	0.80

Table 7.1 indicates that the first item in the CSRR index, “setting up hospitals and medical facilities”, has the highest number of average sentences (5.77, 6.16, 6.04, 6.36, and 8.12) across the five years of analysis. This is followed by corporate disclosures about “the establishment of universities and other educational institutions” with an average sentence count of 5.19, 5.44, 5.67, 6.80, and 7.20 from 2015-2019. In addition, an increasing trend for the two items can be observed over the five years. Of the twenty-five companies, HUBCO, a power generation and distribution company, disclosed the highest number of sentences on the two items, averaging 20 and 17 sentences respectively.

An illustration of the two highly reported CSRR items is provided in figures 7.1 and 7.2:

**Figure 7.1: An illustration of Health-related Disclosure in the Annual Reports**



Sustainable development is one of the main aims of responsible corporate citizenship to bring a positive impact on the society and is a crucial aspect of businesses all over the globe. Hubco's core values foster a culture of improving and empowering lives of every Pakistani at large and specially the local communities around our plants. Our CSR program strives to provide quality education and health facilities around our plants. The Company has also been a frontline player in developing infrastructure and livelihood for the local populace.

Our goal is to put together initiatives that can lead the social development of the communities of Hub, Gidani and Lasbella in Balochistan, Narowal in Punjab and Mirpur in Azad Jammu and Kashmir. In doing so, Hubco engages with the local community and partners with top-of-the-line development organization such as The Citizens Foundation, Indus Hospital, Al-Baseer Foundation, WWF and various Government departments to launch, operate and sustain the development initiatives. The Company reserves one-percent of its profit after tax for its CSR initiatives.

### Health

This year, Hubco has established three health centers in three surrounding villages of Hub which are managed by Lady Health Visitors (LHV). The Company has also donated a mobile medical unit which provides free medical services to twenty-five distant villages near Kund and Gadani.

As a regular feature of its health program, Hubco organizes various general medical and special care camps in the Districts of Hub and Lasbella. Hubco collaborates with Al-Baseer Eye Hospital to set up annual Eye Camps at Jam Ghulam Qadir

Hospital where team of specialized doctors and technicians from Al-Baseer Eye Hospital attend to the patients. This year's eye camp treated one-thousand and twenty-five OPD patients and performed eighty-nine surgeries. Around five-hundred free eye-glasses and medicines were distributed amongst patients from the local villages.

Furthermore, the Company in association with Al-Baseer Eye Hospital also facilitates children and youth of the local community by providing free eye screening in schools every year. The local students are also provided with free medicines and glasses. Students with serious eyes infections are referred with their attendants to Al-Baseer Eye Hospital in Karachi for necessary free treatment.

Hubco maintains its position of assisting the surrounding communities and the Balochistan province at large, in times of health, medical and natural emergencies. This year Hubco provided free lifesaving drugs and medicines to hospitals in Mastung and Quetta after the bomb blasts in Mastung.

Similarly, Narowal Energy Limited (NEL) is ensuring swift operations of Basic Health Units under the committee formed by the area residents. Providing quality medical facilities at the BH, NEL is providing all the operational expenses of the unit and including free medicines. The health unit is visited by approximately thirty-five patients daily.

Moreover, Larab Energy Limited (LEL) organized health awareness sessions in three local community girl's schools to educate them about various issues regarding personal hygiene and care.

Source: (HUBCO, 2019, pp. 58)

**Figure 7.2: An illustration of Education related Disclosure in the Annual Reports**



### Education

Hubco has an enduring commitment for providing standard education to the communities around its plants. The Company has garnered a long relationship with the local communities around its plants and The Citizen Foundation for spreading the light of education and hope for a better future for the generations to come.

Hubco now operates six primary and one secondary school in the Hub and Lasbella District including three recently adopted government schools. These schools impart quality education to over 1500 children from the local villages. All students are provided free school bags, uniforms, shoes, books and stationary. The students are also provided with free transportation from their respective villages. A Reverse Osmosis (RO) treatment plant was installed by Hubco at the Main School Campus to ensure the provision of safe drinking water for students.

Continuing its tradition of supporting the local Government Schools, the Company distributed more than two thousand school bags this year to eighteen local government schools of Hub & Lasbella and Gadani Districts.

Narowal Energy Limited (NEL) significantly increasing its footprint in the education sector has funded around PKR Twenty million for the construction of a new TCF NEL campus at Arod Afghana Village in Narowal. The two acre land worth PKR three million is handed over to TCF which will run the operations of the school. The construction will be spread over three phases; in phase one primary school will

be operational by April 2020 followed by the second primary campus. The operation cost of the school is estimated to be around PKR 2.8 million. NEL will also provide quality uniforms and books to all the students of the school. The Company also distributed six hundred and fifty bags for the students of local government schools.

Committed to the education and skill development in the Mirpur District of Azad Jammu and Kashmir, Larab Energy Ltd. upgraded the IT lab of Afzalpur Degree College for Women by providing twenty computers and one multimedia projector. Moreover, two Community schools were provided with two hundred and twenty-five chairs for their classrooms. LEL also conducted the campaign for Traffic Safety Awareness in three community schools.

LEL CSR team also supervised renovation of existing infrastructure in the Mirpur District including construction and repairing of school walls, roofs, replacement of windows and door glasses and plastering of walls.

### University Level Scholarships And Sponsorships

Hubco places special emphasis for the education of Women in Balochistan. The Company regularly funds scholarships of thirty female students of Sardar Bahadur Khan Women University (SBKWU) in Quetta. The scholarship covers semester fee, stipend and hostel charges of the students.

Source: (HUBCO, 2019, pp. 59)

The high extent of disclosures on these two community-related CSRR items is not surprising as the public health and education sectors of Pakistan are greatly lacking in the provision of basic health<sup>46</sup> and educational facilities. Pakistani corporations are thus expected to play a significant role in helping to bolster these two sectors, as reflected by the following comment by a corporate manager:

If I pin down the need of the time, I would say we need a lot more investment in the community. Again, there can be so many things one could do, but I would be more focused on the basic needs of a society and to me, those after food and security are health and education. Living and growing in this country, I believe it is our duty (being the beneficiary of the society), and corporate obligation (as we extract resources from the society) to invest our time, money, and resources to improve the health and education of this country, and the rest will follow through. (CM2)

With the exception of these two items, the remaining 18 CSRR items which relate to the community dimension generally received very low corporate attention in terms of reporting. For instance, 11 items (55% of the community-specific CSRR items) were respectively covered in only two sentences. This is in stark contrast to the high level of importance Pakistani stakeholders had assigned to these community-related CSRR items. Similarly, 7 out of the 20 community-related CSRR items (35%) were disclosed in less than one sentence on average throughout the five years of analysis. These items included “the construction of parks and recreational facilities” (0.48 sentences on average), “preservation of the ancient sites” (0.41 sentences), “scholarships for physically challenged people” (0.22 sentences), “part-time job opportunities for students” (0.12 sentences), “a quota system for women employability” (0.09 sentences), and “financial support for acid victims and dowry” (0.12 sentences).

The evaluation of the extent to which community-related CSRR items are disclosed indicates a glaring mismatch between Islamic teachings on CSR and actual CSR practices in Pakistan, at least as far as annual reports go. As discussed in Chapter 2, Islam places high emphasis on community and social development, equal rights, female empowerment, and helping the needy. Arguably, if the corporate sector followed the Islamic teachings more closely, there would be a higher level of corporate involvement in community development projects which would be reflected in the annual reports of corporations. However, the low extent of community-related CSRR suggests that the directives of

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<sup>46</sup> Only 2.90% of Pakistan’s GDP is spent on the public health and education sectors (The World Bank, 2020).

Islamic teachings are not a priority for the corporate sector in their business decisions. For instance, Islam provides very clear instructions on the rights of women and people with special needs. As mentioned in the Holy Quran:

And their Lord responded to them, never will I allow to be lost the work of any worker among you, whether male or female, you are equal to one another”  
(Al-Quran, 3:195)

Similarly, Islamic teachings regarding the care for people with special needs can be observed from the action of Umar ibn Abdul- Aziz (Rahimahullah). He decreed that each blind person should have one worker to guide and look after the blind person and that every two persons with chronic illness should be assigned a servant to look after them (Ibn al-Jawzi, 1912). However, as indicated in table 7.1, the annual reports make no special mention of the employment of women or people with special needs. One Islamic scholar in this study observed:

The role of Islam in the corporate sector has always been undermined. The implementation of Islamic teachings in the corporate sector is very symbolic. For instance, you would see many Islamic quotes in the annual reports, however, at a practical level, you would hardly find them followed or practiced. Known as the Islamic Republic of Pakistan, we are not an Islamic society in the true sense and corporations are no exceptions. (IS1).

There is strong evidence to suggest that Pakistan, as a former British colony, is still influenced by the capitalist ideologies that are associated with the West, rather than being wholly governed by Islamic teachings and prescriptions as documented in the Holy Quran and Hadiths. The CSRR that has been evaluated in this study has been influenced by the global standardized CSRR approach, which has led to the low extent and quality of CSRR. In line with Visser (2008), it is argued that the effectiveness of CSR, as well as the extent and quality of CSRR, would improve if a more contextualized CSRR framework is adopted in Pakistan. Hence, the low extent and quality of CSRR in Pakistan further points to the importance of the implementation of the context-specific CSRR framework developed in this study.

## 7.2.2 Quality of Disclosures

**Table 7.2: Quality of Community-related CSRR**

CSRR item: Community	Year					5 Years Average	Stakeholder Expectations
	2015	2016	2017	2018	2019		
Setting up hospitals and healthcare centers for the local community	3.92	3.76	3.67	3.84	3.88	3.81	Important
Establishing universities, colleges, or other educational institutions	3.42	3.64	3.63	3.71	3.84	3.65	Important
Providing scholarships and academic sponsorship to meritorious or/and needy students	2.04	2.16	2.17	2.79	2.80	2.4	Important
Providing scholarships to physically challenged students	1.27	1.44	1.21	1.46	1.56	1.4	Important
Sponsoring educational conferences and seminars	1.96	2.00	2.13	2.29	2.40	2.15	Neutral
Making charities and donations in the form of Zakat	2.54	2.44	2.67	3.00	2.88	2.70	Very Important
Organizing skill development projects for the local community	2.12	2.04	1.96	2.46	2.64	2.25	Important
Sponsoring national and international games and events	2.08	2.08	2.21	2.50	3.04	2.38	Less Important
Constructing roads and other infrastructures for the local community	2.31	2.16	2.17	2.08	2.24	2.1	Important
Constructing parks and other recreational facilities for the community	1.62	1.60	1.63	1.79	1.88	1.70	Important
Creating part-time job opportunities for students	1.12	1.12	1.04	1.29	1.28	1.17	Important
Arranging summer internship programs for students	2.08	2.00	2.08	2.08	2.20	2.08	Important
Clean drinking water facilities for the local people	1.92	1.88	1.79	2.33	2.32	2.05	Important
Quota system adopted to increase female employment rates	1.31	1.00	1.00	1.08	1.20	1.11	Important
Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)	2.69	2.60	2.33	2.50	2.48	2.52	Important
Providing support to acid and/or dowry victims	1.15	1.20	1.21	1.29	1.28	1.22	Important
Joint focus group discussion /community engagement to review their needs and expectations	2.42	2.48	2.46	2.54	2.52	2.48	Important
Providing support to the government in strengthening public service institutions	2.69	2.56	2.63	3.04	3.12	2.80	Neutral
Promote local business activities	1.69	1.52	1.54	1.92	2.04	1.74	Important
Efforts to preserve the heritage and ancient sites	1.08	1.20	1.46	1.33	1.52	1.81	Important

Table 7.2 presents the Average Disclosure Quality Values (ADQV)<sup>47</sup> along with the level of importance assigned by the Pakistani stakeholders to each community-specific CSRR item. The importance level assigned to the CSRR items represents the stakeholders' expectations of the Pakistani corporate sector. Table 7.2 provides a revealing comparison

<sup>47</sup> This is calculated as  $ADQV = \frac{\text{sum (quality*frequency)}}{\text{total number of observations/companies}}$ . ADQV lies between 1-5, where 1 is the minimum and 5 is the maximum ADQV a company can get.

between the stakeholders' CSRR expectations and the actual CSRR practices of Pakistani corporations.

Overall, the quality of community-related CSRR disclosures was low and only two items received ADQVs of 3 or above, with the remaining 18 items (90%) receiving ADQVs of less than 3. Most of the disclosures were descriptive and lacked quantitative information to support the descriptions. The biggest exception was the health care item, "setting up hospitals and healthcare facilities for the local community", which received the highest ADQVs of 3.92, 3.76, 3.67, 3.84, and 3.88 from 2015-2019 respectively. Companies such as Pakistan Petroleum Ltd., Shell Pakistan Ltd., DGKC Ltd., Pakistan Telecommunication Ltd, and K-Electric Ltd, provided detailed disclosures including the number and cost of the hospitals they had helped to build and the number of free medical camps they had conducted. Figures 7.3 and 7.4 illustrate good quality reporting followed by the relatively poor quality of reporting in Pakistani annual reports.

**Figure 7.3: An illustration of Good Quality Disclosure<sup>48</sup> in the Annual Reports**

**Health**

FFC provides free of cost medical care through Sona Welfare Hospital and Hazrat Bilal Trust Hospital that benefits more than 150,000 patients every year. In the year 2018, Rs 13.7 million and Rs 8 million were donated to these organizations respectively. The Company also provided medical assistance through financial support and provision of medicines to various patients of Goth Machhi.

We also collaborate regularly with the Pakistan Foundation for Fighting Blindness and the Pakistan Kidney Patients Association.



Source: (Fauji Fertilizers Limited, 2018, pp. 91-92)

**Figure 7.4: An illustration of Poor Quality Disclosure<sup>49</sup> in the Annual Reports**

**Community Welfare Schemes**

The Company regularly carries out schemes of social welfare in areas adjacent to its manufacturing facilities by engaging its staff and using its money. The Company regularly organizes medical camps for malaria, typhoid and eye sight for the people living in the surroundings of its manufacturing facilities.

Source: (Nishat Mills Limited, 2019, pp. 16)

<sup>48</sup> Good quality disclosure represents the disclosure of items in quantitative/monetary values supported by descriptions and graphic images.

<sup>49</sup> Poor quality disclosure suggests the disclosure of items in an obscured manner that are discussed in limited references or value comments without appropriate evidence.

Comparing figures 7.3 and 7.4, the information provided by Fauji Fertilizers Company Limited (FFC) is comprehensive, and descriptive statements are supported by quantifiable monetary values (such as the number of patients treated and the costs incurred) and graphics. Hence, FFC was assessed as providing good quality reporting on their health care projects and accordingly received higher ADQVs. In comparison, the excerpt from the Nishat Mills Ltd. annual report is an example of low-quality reporting as the discussion of the company’s community welfare programs is a narrative that lacks quantifiable details to support the claims made.

Another exception to the general trend of poor-quality reporting of community-related CSRR was the second item on the index: “the establishment of universities and other educational institutions”. This item received ADQVs of 3.42, 3.64, 3.63, 3.71, and 3.84 from 2015 to 2019 respectively. On average, 22 out of 25 companies (88%) received a quality score of 4 for this particular item. Comparatively, 60% of the other items in the community dimension received ADQVs of 2 or slightly higher. For instance, the ADQVs for the items “provision of clean drinking water facilities”, “construction of parks and other recreational facilities”, “promotion of local businesses”, and “skill development projects for the community, etc”. ranged from 1.50 to 2.70. Of the 20 CSRR items falling in the community dimension, the item “financial support for acid and (or) dowry victims” received the lowest quality ratings. Only one out of the 25 companies being examined, FFC Ltd., referred to this item. In fact, Figure 7.5 shows that FFC Ltd. even provides quantifiable information on this CSRR item. A possible reason for the overall corporate negligence of this issue is that corporations do not register it as something that they (should) have any involvement with, and assume that the state should take care of it.

**Figure 7.5: Information Disclosure on Acid and Dowry Victims Support**

<p>FFC donated a sum of Rs 0.7 million to Smile Again Foundation, a Non-Governmental Organization helping female survivors of acid and kerosene burns not only with medical care and assistance but also by making them productive members of the society</p>	<p>Dowry assistance was provided to contractual workforce for marriages of their daughters</p>
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Source: (Fauji Fertilizers Limited, 2019, pp. 100)

A surprising revelation from table 7.2 is the low ADQVs for the item “Zakat and other charitable donations” (ranging from 2.44 - 3.00). Although respondents in the study

weighted this item as highly important, the majority of Pakistani corporations evidently employ a check box approach to Zakat disclosures. Figure 7.6 is a representative example of the vague descriptions that characterize corporate reporting on Zakat:

**Figure 7.6: Information Disclosure on Zakat**

zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Source: (Ghani Glass Limited, 2019, pp. 38)

There could be two possible contrasting reasons for the low standards of corporate reporting on this important CSRR item. First, it may be that companies are refraining from “showing off” and publicly advertising their Zakat and other charitable contributions. This is consistent with the teachings of the Holy Quran:

O you who have believed, do not invalidate your charities with reminders or injury as does one who spends his wealth [only] to be seen by the people and does not believe in Allah and the Last Day. His example is like that of a [large] smooth stone upon which is dust and is hit by a downpour that leaves it bare. They are unable [to keep] anything of what they have earned. And Allah does not guide the disbelieving people (Al-Quran, 2:264).

Conversely, it can also be argued that corporations have not given it sufficient priority to report about Zakat and other charitable donations as they are primarily profit-driven organizations and are strongly influenced by the western capitalist ideology. In both cases, however, there is an obvious difference between what the stakeholders expected from Pakistani corporations relating to Zakat and charitable donations and that has been reflected in the annual reports.

Overall, there is a major gap between the level of importance assigned by Pakistani stakeholders to community-related CSRR items and the quality of disclosures that Pakistani corporations have provided regarding these items. It is telling that 90% of the community-specific CSRR items received low ADQVs, which falls short of stakeholder expectations of serious corporate engagement with community-related initiatives.

### 7.2.3 Number of Companies Providing Community CSRR Disclosures

**Table 7.3: Companies Disclosing Community-related CSRR Items**

CSRR item: Community	Year				
	2015	2016	2017	2018	2019
Setting up hospitals and healthcare centers for the local community	24	24	24	22	24
Establishing universities, colleges, or other educational institutions	21	23	24	24	24
Providing scholarships and academic sponsorship to meritorious or/and needy students	8	10	12	12	16
Providing scholarships to physically challenged students	3	4	4	5	5
Sponsoring educational conferences and seminars	10	11	13	15	15
Making charities and donations in the form of Zakat	10	12	12	13	15
Organizing skill development projects for the local community	11	10	11	15	15
Sponsoring national and international games and events	11	11	14	18	20
Constructing roads and other infrastructures for the local community	13	13	13	13	13
Constructing parks and other recreational facilities for the community	6	6	7	9	9
Creating part-time job opportunities for students	0	2	2	5	4
Arranging summer internship programs for students	11	11	12	12	12
Clean drinking water facilities for the local people	7	9	10	13	14
Quota system adopted to increase female employment rates	2	0	2	3	3
Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)	15	15	15	15	15
Providing support to acid and/or dowry victims	1	1	1	1	1
Joint focus group discussion /community engagement to review their needs and expectations	17	18	18	19	18
Providing support to the government in strengthening public service institutions	19	19	20	22	22
Promote local business activities	5	5	6	10	10
Efforts to preserve the heritage and ancient sites	0	2	6	5	6

Table 7.3 presents the number of companies that disclosed community-specific CSRR items. For each of the CSRR items in this category, the number of companies providing disclosures has slightly increased over the five years. However, despite this increasing trend, only a handful of companies have disclosed information on all the CSRR items in the index. Most of the items in the community dimension were regularly omitted in the annual reports<sup>50</sup>.

As discussed in chapter 2, some of the CSRR items falling under the community dimension involve the issues of poverty and deprivation, such as “providing scholarships and academic sponsorship to meritorious or/and needy students” and “constructing roads and other infrastructures for the local community”. However, the generally low quality

<sup>50</sup> For instance, less than five companies reported on these CSRR items in the year 2019.

and extent of CSRR concerning community-related items suggest that corporate attempts to alleviate poverty in the country are modest at best. Arguably, the extent and gravity of Pakistan's poverty are such that any expectations of corporate counteractions to alleviate the issue are overly ambitious and unrealistic. However, ongoing attention by the state to mitigate this issue by implementing rigorous and transparent poverty alleviation programs will only go so far; efforts by the corporate sector to divert some resources into community development projects will also greatly help. As a first step, the provision of material and quantifiable information in annual reports will help the corporate sector to begin meeting stakeholder expectations, which in turn helps to secure stakeholder approval and support and which ultimately legitimizes the corporations' existence in society.

### 7.3 Environment Dimension: Extent and Quality of CSRR

The environment dimension of CSRR consisted of 14 items that were considered relevant in the context of Pakistan. The extent to which environment-related CSRR items were disclosed, in terms of sentence count, are presented in the table below.

#### 7.3.1 Extent of Disclosures

**Table 7.4: Extent of Environment-related CSRR**

CSRR item: Environment	Year				
	2015	2016	2017	2018	2019
Having a corporate environmental protection policy	3.50	4.04	4.17	3.72	4.80
Incorporate environmental concerns in their business decisions	1.73	2.16	2.21	2.52	2.68
Environment conservation by using recycled raw materials	0.73	1.04	1.25	1.68	1.84
Having a recycling plant in the factory	0.42	0.44	0.63	0.64	0.84
Installing facilities and equipment to control pollution	1.19	1.28	1.46	1.56	1.56
Providing air emission information e.g. hazardous gases emitted	1.96	1.84	1.63	2.00	2.72
Providing water disposal information	0.62	0.72	0.83	0.68	1.16
Providing waste disposal information	2.23	2.32	2.42	2.68	2.84
Participation in anti-litter campaigns to protect the environment	0.04	0.04	0.13	0.24	0.20
Sponsoring private or public initiatives to protect the environment	0.23	0.32	0.33	0.36	0.36
Promoting environmental awareness to the community	0.88	1.12	1.04	0.88	1.12
Receiving awards for environmental protection efforts	2.62	2.68	2.46	3.00	3.48
Tree plantation initiatives	1.42	1.44	1.50	2.28	2.36
Wildlife policies and animal care	0.42	0.52	0.46	0.52	0.60

Environmental preservation is an essential component of the Islamic belief system, and humans, as Allah's *Khalifah* or agents on Earth (Al-Quran, 6:165), are responsible for protecting the environment. The Holy Prophet Muhammad (PBUH) taught people to

protect the environment, refrain from cutting trees, wasting water, polluting rivers, or contaminating the atmosphere. The following Hadiths explain the importance of environmental preservation in Islam.

As reported by Bukhari and Muslim, the Holy Prophet Muhammad (PBUH) said:

I have been shown the deeds of my followers: both good and bad ones. I found among their good deeds the removal of harmful objects from people's way. (Al-Bukhari & Muslim).

There is also an emphasis on tree plantations and discouraging deforestation:

If anyone cuts the lote-tree, Allah brings him headlong into Hell. (Sunan Abu Dawood 43:5239).

Whenever a Muslim plants or grows a sapling or a plant, and a human being, a beast, or anything else feeds upon it, it is counted for him as an act of benevolence (Reported by Al-Bukhari).

Islam also provides strict guidelines on the optimum use of water and prohibits the pollution of water and the dumping of waste in inappropriate places as Muhammad (PBUH) said:

Do not waste water, even if you were in a running stream (Sunan Ibn Majah 425).

Avoid the three actions that bring people's curses: defecating in water sources, on roads, and in the shade (Reported by Abu Dawood).

Despite Islam's clear directives for a clean and green environment, CSRR efforts in the Pakistani corporate sector appear dismal for environmental preservation (refer to Table 7.4). Although the majority of corporate managers who participated in this study asserted that Islam is an integral component of the operations for their respective companies, there is minimal CSRR evidence to support this claim. Indeed, the majority of Islamic scholars who participated in this study were concerned that Islam played a marginal role in business operations in Pakistan:

This very claim that Islam governs every aspect of life (including business structure) in Pakistan is hypocritical. The low ranking of Pakistan on the Environmental Performance Index sums it all. (IS3)

Overall, corporate reporting on the environment-related CSRR was very low. The only exceptions were the items "environment protection policies", which had 3.50-4.80 sentences on average, and "awards and recognitions received for environmental efforts" which had 2.50-3.50 sentences on average. The items "disposal of wastes and air emissions such as hazardous gas emissions" and "tree plantation initiatives" were disclosed in approximately 2 to 3 sentences on average. Furthermore, two important

CSRR items, “environmental awareness to the community”, and “the installation of pollution controlling equipment”, were, on average, covered in only one sentence. The remaining 50% of the items in this category were, on average, mentioned in less than a sentence each. The limited disclosure of items in the environment dimension by Pakistani corporations may be attributed to an intent to avoid public outcry and government penalties and sanctions. That is, if the corporations have been guilty of generating significant carbon footprints (such as gas emissions or poor waste disposal practices) in their operations, there is little incentive to draw attention to these practices.

As one CSR expert speculated,

Sometimes corporations adopt a hiding strategy. They choose to refrain from providing additional (voluntary) information such as disclosing negative impacts on the environment which otherwise would instigate the public and government actions against them that would cost them a fortune. (CM4)

The high levels of disclosure by corporations for the items “having a corporate environmental protection policy” and “receiving awards for environmental protection efforts” are significant. Taken in conjunction with the low levels of disclosure on most other environment-related CSSR items, there is evidence to suggest that CSRR in Pakistan is a greenwashing strategy, a superficial public relations campaign to bolster the company’s image and satisfy investors and other stakeholders. A majority of the interviewees when asked about the motives of CSRR in Pakistan indicated the strong corporate urge for impression management and reputational purposes of CSRR. For instance, an environmentalist working in an NGO felt that CSRR practices in Pakistan were primarily oriented towards reputation-building:

Corporations tend to show concerns and care about the environment with different environmental policies and strategies, however, these policies are merely in books and not in practice. This implies that CSRR aims to show a good corporate image to attract investors and not to make a real difference. (Env1)

Indeed, the content analysis reveals that, despite the high levels of disclosure around corporate environmental policies, substantial discussion about specific CSR initiatives was lacking.

### 7.3.2 Quality of Disclosures

**Table 7.5: Quality of Environment-related CSRR**

CSRR item: Environment	Year					5 Years Average	Stakeholders Expectations
	2015	2016	2017	2018	2019		
Having a corporate environmental protection policy	3.31	3.40	3.38	3.38	3.52	3.4	Important
Incorporate environmental concerns in their business decisions	2.65	2.92	2.88	3.00	3.08	2.9	Important
Environment conservation by using recycled raw materials	1.73	1.96	2.08	2.33	2.32	2.0	Important
Having a recycling plant in the factory	1.50	1.44	1.58	1.71	1.76	1.6	Important
Installing facilities and equipment to control pollution	1.96	1.80	1.92	2.08	2.16	2.0	Important
Providing air emission information e.g. hazardous gases emitted	2.23	2.36	2.38	2.54	2.52	2.4	Important
Providing water disposal information	1.85	1.92	1.83	1.92	1.96	1.9	Important
Providing waste disposal information	2.38	2.24	2.29	2.54	2.44	2.4	Important
Participation in anti-litter campaigns to protect the environment	1.08	1.12	1.21	1.29	1.28	1.2	Important
Sponsoring private or public initiatives to protect the environment	1.12	1.24	1.25	1.42	1.40	1.3	Important
Promoting environmental awareness to the community	1.77	2.00	1.92	1.83	2.00	1.9	Neutral
Receiving awards for environmental protection efforts	2.73	2.84	2.96	3.08	3.12	2.9	Not important
Tree plantation initiatives	2.46	2.56	2.58	2.92	3.24	2.7	Very Important
Wildlife policies and animal care	1.23	1.32	1.25	1.33	1.40	1.3	Important

Respondents in this study had considered the environment to be one of the most important dimensions of CSRR in Pakistan. As discussed in chapter 6, the Pakistani stakeholders ranked almost 86% of the environment-related CSRR items as important or very important. However, an assessment of the quality of environment-related CSRR disclosures presents disappointing findings. The majority of firms have disclosed their environmental commitments in the form of policy statements that are merely descriptive and which are lacking in material or monetary information to support the claims made in the policy statements.

The findings in table 7.5 show that out of 14 CSRR items, none of the items was disclosed in a quantitative form with monetary values or graphical representations to receive high ADQVs of 4 or 5. Four items were disclosed in a detailed descriptive form and each received ADQVs of 3: “corporate environmental protection policies”, “incorporating environmental concerns in business decisions”, “receiving awards for environmental protection efforts”, and “tree plantation initiatives”.

The excerpt below illustrates an example of a corporate policy that is descriptive without an actual disclosure of the amount of carbon dioxide the company has released in the atmosphere as part of its operations.

**Figure 7.7: Environment-related Disclosure in the Pakistani Annual Reports**

- **Carbon Footprint Reduction**  
Engro Fertilizers Limited developed a carbon footprint reduction plan in accordance with international standards in 2017, with the aim to bring Company performance in line with globally acceptable levels for a Fertilizer complex. Consequently, in 2019, Engro Fertilizers Limited successfully met its carbon footprint reduction target.

Source: Engro Fertilizers Ltd., annual report 2019, p. 119.

In line with the quality criterion, half of the environment-related CSRR items received low ADQVs of 2 as the items were only discussed in conjunction with other themes. For instance, Sui Southern Gas Company Limited (figure 7.8) discussed their environmental efforts while presenting other community development initiatives and hence received an ADQV of 2.

**Figure 7.8: An illustration of Low-Quality Disclosure on Environment-related CSRR**

**Environment and Community Development:** In the area of environment, the Company collaborated with Thardeep Rural Development Programme for the installation of solar pumps, lights and hand-pumps to benefit three villages of Tharparkar. The Company also supported IUCN in its Mangrove Conservation Drive.

Source: Sui Southern Gas Company Limited, annual report 2017, p. 84.

Finally, disclosures on three items “participation in anti-litter campaigns”, “sponsoring public or private initiatives to protect the environment”, and “wildlife and animal care policies” were either omitted by the majority of the sample firms or were mentioned in a highly superficial way and thus received the minimum ADQVs of 1. Unsurprisingly, the disclosure for the item “Receiving awards for environmental protection efforts” received ADQVs of 3 while this item was unimportant by the Pakistani stakeholders in this study. This provides further evidence for the argument that CSR and CSRR are used for impression management and public relations purposes as opposed to genuine corporate efforts to mitigate the ever-growing socio-environmental issues prevailing in Pakistan.

In light of the findings presented in table 7.5, it is evident that the corporate sector does not meet the stakeholders' expectations of high quality disclosure of environment-related CSRR items. The Pakistani stakeholders had assigned higher weights to a majority of the CSRR items in this dimension, indicating the importance of these issues. However, none of the items in the environment dimension received adequate corporate attention in the annual reports. The item concerning tree plantation is a case in point. Although respondents in the study weighted this item as highly significant, the annual reports revealed disclosure statements that are very descriptive and superficial. Generally, there was a clear mismatch between the importance stakeholders had assigned to specific items in the environment dimension and the most trivial ways in which these items were reported in the annual reports of the Pakistani corporations examined in this study.

### 7.3.3 Number of Companies Providing Environment CSRR Disclosures

**Table 7.6: Companies Disclosing Environment-related CSRR items**

CSRR item: Environment	Year				
	2015	2016	2017	2018	2019
Having a corporate environmental protection policy	25	25	25	25	25
Incorporate environmental concerns in their business decisions	20	22	22	23	23
Environment conservation by using recycled raw materials	8	11	13	15	15
Having a recycling plant in the factory	5	5	7	8	8
Installing facilities and equipment to control pollution	10	10	11	13	13
Providing air emission information e.g. hazardous gases emitted	16	16	16	17	17
Providing water disposal information	9	10	10	10	10
Providing waste disposal information	15	15	15	17	17
Participation in anti-litter campaigns to protect the environment	1	1	3	3	3
Sponsoring private or public initiatives to protect the environment	2	3	4	5	5
Promoting environmental awareness to the community	9	12	12	11	12
Receiving awards for environmental protection efforts	21	20	21	21	20
Tree plantation initiatives	13	15	15	17	20
Wildlife policies and animal care	3	4	4	5	5

The number of companies disclosing environment-related items was also very low. Only one item in this category, “corporate environmental protection policy”, was discussed by all twenty-five sample firms. The item, “incorporation of environmental concerns in the business decisions”, was the next most highly disclosed item, with 20 of the 25 firms reporting on this. Almost 84% of the companies highlighted their environmental performance by referring to the awards and recognition they had received for their environmental protection efforts. Similarly, information disclosure on air emission, waste disposal, and tree plantation initiatives were items discussed by more than half of the

sample firms in their annual reports. The remaining eight items in this category were disclosed by less than half of the sample companies. The item “ participation in anti-litter campaigns” had the least number of companies referring to it, with only three of the 25 firms mentioning it.

As discussed in Chapter 2, environmental degradation is a daunting issue posing serious threats to Pakistani society. Corporate efforts to preserve and contribute to a greener environment are still unsatisfactory as evidenced by the limited extent and poor quality of CSRR in this category. This suggests two important aspects of the corporate sector in Pakistan. First, it signals the weak implementation of environmental regulations in Pakistan. Although these items are regulated in the Pakistan Environmental Protection Act (PEPA) 1997, the majority of Pakistani corporations have failed to provide adequate information in their annual reports to confirm their compliance with these regulations. Second, the current extent and quality of environment-specific CSRR show a prominent gap between stakeholder expectations and actual CSRR practices relating to the environment. If Pakistani corporations continue to make half-hearted attempts at CSRR practices relating to the environment, this may eventually lead to serious concerns by stakeholders that ultimately threaten the legitimacy of these corporations in the future.

#### **7.4 Employee Dimension: Extent and Quality of CSRR**

There are twenty-one items falling under the employee dimension of the CSRR index. Table 7.7 below shows how extensively these specific items were discussed in the annual reports of the 25 Pakistani corporations examined in this study.

##### **7.4.1 Extent of Disclosures:**

**Table 7.7: Extent of Employee related CSRR**

CSRR item: Employee	Year				
	2015	2016	2017	2018	2019
Efforts to eliminate pollutants and hazardous elements in the workplace	1.96	1.92	2.13	2.40	2.76
Organizing safety training for employees	3.31	3.72	4.13	3.80	4.16
Efforts to improve workplace safety	4.88	5.12	5.38	5.64	6.44
Information about workplace accidents and injuries	1.27	1.32	1.50	2.08	2.04
Efforts to reduce child labor and related actions	0.15	0.16	0.21	0.24	0.28
Arranging informative seminars and workshops for employees	3.54	3.40	3.58	3.04	3.96
Arranging recreational events for employees (sports, tours, etc.)	1.58	1.40	1.71	2.16	3.24
Sponsoring education for employees	1.12	0.52	0.75	1.24	1.40
Employee housing schemes	0.23	0.16	0.17	0.20	0.20

Providing health facilities to employees and their families	1.54	1.84	2.21	1.24	1.48
Pension funds and bonuses for employees	3.38	3.56	3.88	3.88	4.12
Stock options for non-managerial employees	0.50	0.20	0.17	0.16	0.16
Qarz Hassana (interest-free loans) for employees	0.08	0.12	0.17	0.12	0.16
Allowing special breaks for prayers	0.00	0.00	0.00	0.00	0.00
Relaxation of dress code for female employees (e.g. wearing abaya)	0.00	0.00	0.00	0.00	0.00
Daycare facilities, maternity and paternity leave	0.19	0.20	0.21	0.36	0.44
Providing gender and minority based statistics	2.42	1.8	1.67	1.88	2.32
Employment policies for physically challenged people	1.00	0.96	0.88	1.16	1.16
Statements showing compliance with the labor laws	0.73	0.52	0.50	1.12	1.28
Quota system adopted for minorities	0.15	0.16	0.21	0.32	0.32
Discussion on fair and transparent recruitment policy	3.65	3.60	3.67	4.52	4.92

Employees are essential to the success of any organization. Islam shows very high regard for employees and laborers in society and advocates their rights. The Holy Prophet Muhammad (PBUH) dignifies the status of laborers by saying: “One who earns by struggle is a friend of Allah” (Fischer & Abedi, 1990).

Islam strongly advocates the rights of workers in terms of fulfilling their contracts, paying their wages on time, and teaches employers to treat their workers kindly. Some of the Holy prescriptions in this regard are:

O you who have believed, fulfill your contracts. (Al-Quran, 5:1)

Your brothers are your responsibility. Allah has made them under your hands. So whosoever has a brother under his hand, let him give him food as he eats and dress as he dresses. Do not give them work that will overburden them and if you give them such task then provide them with assistance. (Al-Bukhari)

Pay the worker his dues before his sweat has dried up. (Sunan Ibn Majha)

Despite the clear Islamic prescriptions on the rights of employees and laborers, most national and international corporations in Pakistan are failing to meet their responsibilities as employers (Ijaz, 2019). There are several laws and legislation (such as labor rights in the Constitution 1973, Factories Act, 1934, Employment of Children Rules, 1995) to ensure the rights of employees and the labor class in Pakistan. However, the majority of respondents in this study expressed concerns about corporate negligence with respect to the rights of their employees. The findings of the content analysis revealed a prominent contrast between the corporate employment policies/strategies disclosed in the annual reports and the sheer lack of evidence to demonstrate the steps corporations have taken to implement these policies. Indeed, the Pakistani stakeholders in this study highlighted the “corporate hypocrisy” of the Pakistani corporate sector and observed that corporations

may use “catchphrases” in their employment policies but actual evidence of these policies being enacted was lacking. As a representative of a labor union stated:

Corporations do not care about their employees, reasons being the poor population, lack of government intervention, and implementation of regulations. I mean you can easily be replaced by others, so honestly can't expect much more than your salary, in the current scenario you should even be blessed if you get that on time. In books, yes, the corporate sector in Pakistan abides by the labor laws and other prerequisites, but in reality, it is nowhere closer. (SA3)

The findings in table 7.7 indicate that Pakistani corporations prioritized disclosures on the health and safety of their employees, as the item “corporate efforts to improve workplace safety” were, on average, discussed in 4.88, 5.12, 5.38, 5.64, and 6.44 sentences from 2015-2019. Another health and safety item, “discussions on safety training” also had a relatively high level of disclosure, with an average of four sentences in the annual reports. Disclosure on “fair and transparent recruitment policy” also received prominent space in the annual reports, ranging, on average, between 3.65 to 4.92 sentences across 2015-19. The high extent of disclosures on the transparency of recruitment policies indicates that corporations use policy statements to present a responsible image to regulatory authorities, labor watchdogs, and investors. Specific items that provide hard evidence of corporate initiatives to support employee wellbeing are, notably, less well reported.

The extent of disclosures on items relating to employee social benefits, such as education and health facilities, housing schemes, recreational activities, and day-care, maternity, and paternity leave was tellingly low, with most of these items being mentioned in only one sentence on average. For instance, the average number of sentences disclosed about employee education initiatives was 0.52 to 1.40 sentences, while discussion on employee-housing schemes was allocated only 0.16 to 0.23 sentences on average in the annual reports. The minimal discussion on employee benefits may be attributed to the sheer callousness of Pakistani corporations. However, one respondent, a corporate manager, suggested that the situation was more complex than this:

As a responsible corporation, we thrive to provide every possible benefit to our employees to work effectively. Yet, due to the ongoing economic crisis and unstable political situation in the country, we at times are helpless to fulfil our commitments to the employees. (CM5)

As noted earlier in this thesis, respondents in this study had placed high importance on several items belonging to the employee dimension. These items include special breaks

for prayers, relaxation of the dress code for female employees, Qarz Hassana for employees, and a quota system adopted for minorities. However, these were the least disclosed items with no disclosures at all relating to prayer breaks and the relaxation of the dress code for female employees in the annual reports of the sample firms. While the lack of disclosure may be interpreted as the failure of corporations to prioritize these issues, one of the respondents in the study, again a corporate manager, offered a different interpretation:

You cannot expect anything or everything from the corporations; I mean breaks for “Namaz” and “Pardha”? (Slight laughter) these are the basic norms and values of our society, which are ingrained in the corporate culture and thus we see no need to disclose them in our annual reports (CM7).

Finally, CSRR items involving the commitment to reduce child and forced labor, employment policies for physically challenged people, and compliance to the labor laws also received a very low extent of corporate disclosures, averaging approximately 0.50 to 1.50 sentences in the Pakistani annual reports. The below excerpt in figure 7.9 from the annual report of Pakistan Petroleum Limited is representative of the superficial treatment these issues receive by Pakistani corporations if they are even mentioned at all:

Figure 7.9: An Illustration of a Low Extent of Disclosures on Child Labor

**PPL's Commitment**

PPL supports abolition of child labour and elimination of all forms of forced and compulsory labour in its areas of operations or by any of its business partners and contractors.

Source: (Pakistan Petroleum Limited, 2015, pp. 27)

According to one corporate manager, the low extent of corporate disclosures on child and forced labor in the annual reports is unsurprising as these concepts are nothing more than fancy words in poor economies like Pakistan which have desperately high levels of unemployment and weak regulatory mechanisms in place:

I believe child labor can never be justified in any part of the world, however, in struggling economies like Pakistan with high rates of unemployment, parents quite often agree to put their children into labor to support their families. (CM4)

There is evidence to support the suggestion by a CSR activist that corporations tend to adopt a “hiding strategy” for disclosing information about child labor. The simple act of omitting quantitative information around the number of children employed in the firm is

an effective tactic for circumnavigating the public outcry that would follow such a disclosure. The international boycotts, financial losses, and decline in reputation that would likely ensue appear to be too great a consequence for Pakistani corporations to risk. Arguably, then, Pakistani corporations use a cherry-picking approach in the information disclosed in their annual reports to promote flattering images of themselves while conveniently omitting information that potentially threatens their legitimacy and survival in society and within the international business community.

## 7.4.2 Quality of Disclosure

**Table 7.8: Quality of Employee related CSRR**

CSRR item: Employee	Year					5 Years Average	Stakeholders Expectations
	2015	2016	2017	2018	2019		
Efforts to eliminate pollutants and hazardous elements in the workplace	2.35	2.44	2.50	2.50	2.80	2.5	Important
Organizing safety training for employees	2.31	2.44	2.38	2.54	2.84	2.5	Important
Efforts to improve workplace safety	3.12	3.12	3.17	3.13	3.20	3.1	Important
Information about workplace accidents and injuries	2.54	2.44	2.58	2.58	2.56	2.5	Important
Efforts to reduce child labor and related actions	1.15	1.20	1.25	1.25	1.28	1.2	Important
Arranging informative seminars and workshops for employees	2.69	2.44	2.46	2.54	2.76	2.5	Neutral
Arranging recreational events for employees (sports, tours, etc.)	1.92	1.80	1.88	2.38	2.56	2.1	Neutral
Sponsoring education for employees	1.50	1.32	1.42	1.83	1.92	1.6	Important
Employee housing schemes	1.23	1.20	1.21	1.25	1.24	1.2	Important
Providing health facilities to employees and their families	1.81	1.76	1.88	1.63	1.80	1.8	Important
Pension funds and bonuses for employees	3.27	3.20	3.38	3.46	3.44	3.4	Neutral
Stock options for non-managerial employees	1.12	1.08	1.08	1.00	1.08	1.1	Neutral
Qarz Hassana (interest-free loans) for employees	1.04	1.12	1.21	1.21	1.20	1.2	Important
Allowing special breaks for prayers	1.00	1.00	1.00	1.00	1.00	1	Important
Relaxation of dress code for female employees (e.g. wearing abaya)	1.00	1.00	1.00	1.00	1.00	1	Important
Day-care facilities, maternity and paternity leave	1.35	1.40	1.42	1.63	1.72	1.5	Important

Providing gender and minority based statistics	2.54	2.40	2.29	2.38	2.64	2.5	Neutral
Employment policies for physically challenged people	2.08	2.16	2.08	2.50	2.52	2.3	Neutral
Statements showing compliance with the labor laws	1.46	1.52	1.50	1.67	1.84	1.6	Not Important
Quota system adopted for minorities	1.27	1.24	1.33	1.54	1.44	1.4	Neutral
Discussion on fair and transparent recruitment policy	2.62	2.60	2.50	2.88	2.9	2.7	Neutral

Table 7.8 indicates that, generally, the quality of disclosure around employee-related items was low. Although stakeholders had regarded various items in this dimension as relatively high in importance, it appears that corporations did not give these items the same level of importance, as evidenced by their CSSR practices. The bulk of the information disclosed with respect to issues such as workplace injuries and accidents, child labor, employee health, education, and housing benefits were descriptive and just under 80% of the sample firms failed to provide monetary, quantitative, and/or graphical information to support their descriptive claims. As with the other dimensions of CSRR, there is a mismatch between the level of importance stakeholders had placed on items relating to the employee dimension of the CSRR index and the cursory manner in which these items were reported by the corporations in their annual reports.

That said, certain companies provided quite detailed information about the “pension funds, and bonuses for the employees”, which was assigned the highest ADQVs of 3.27, 3.20, 3.38, 3.46, and 3.44 from 2015 to 2019 respectively. An illustration of good quality reporting on this particular item from the annual report of FFC Limited is shown in figure 7.10:

**Figure 7.10: An Illustration of Good Quality Reporting on the Employee Dimension**



Source: (Fauji Fertilizers Limited, 2018)

The item, “corporate efforts to improve workplace safety”, also received high ADQVs as a majority of the firms provided detailed information on their safety measures such as

providing protection gears, organizing safety drills, workshops, and training. The quality of reporting on employees' non-financial benefits, such as education, health facilities, and housing schemes was mostly low with ADQVs of 2 or lower. Only EFOODs Ltd. reported on “stock option policies for their non-managerial employees”. This indicates the management-centric corporate culture in Pakistan where top management is prioritized over blue-collar workers in terms of benefits and perks. Reportage around items that are linked to religion was also minimal. Only Pakistan State Oil Ltd. disclosed information on the item “Qarz e Hassana scheme (interest-free loan) for their employees” while the other two religious items, “special breaks for prayer”, and “relaxation of dress code for female employees”, were not discussed by any of the sample firms. Hence, the content analysis of the CSRR items relating to the employee dimension strengthens the viewpoint that Islamic teachings, rules, and regulations have a low influence on corporate practices in Pakistan.

### 7.4.3 Number of Companies Disclosing Employee-related CSRR

**Table 7.9: Companies Disclosing Employee-related CSRR items**

CSRR item: Employee	Year				
	2015	2016	2017	2018	2019
Efforts to eliminate pollutants and hazardous elements in the workplace	19	19	20	20	21
Organizing safety training for employees	16	18	18	19	21
Efforts to improve workplace safety	23	23	23	23	24
Information about workplace accidents and injuries	13	13	15	16	15
Efforts to reduce child labor and related actions	2	3	4	4	4
Arranging informative seminars and workshops for employees	16	16	17	18	20
Arranging recreational events for employees (sports, tours, etc.)	9	9	10	14	15
Sponsoring education for employees	5	5	7	10	10
Employee housing schemes	2	2	3	4	3
Providing health facilities to employees and their families	8	9	10	8	8
Pension funds and bonuses for employees	19	19	20	20	20
Stock options for non-managerial employees	1	1	2	1	1
Qarz Hassana (interest-free loans) for employees	1	2	3	3	2
Allowing special breaks for prayers	0	0	0	0	0
Relaxation of dress code for female employees (e.g. wearing abaya)	0	0	0	0	0
Daycare facilities, maternity and paternity leave	3	4	5	7	7
Providing gender and minority based statistics	18	17	16	16	18
Employment policies for physically challenged people	10	12	12	14	14
Statements showing compliance with the labor laws	6	7	7	8	10
Quota system adopted for minorities	2	3	5	9	7
Discussion on fair and transparent recruitment policy	20	20	20	22	22

Table 7.9 shows that a low number of companies disclose information on employee-related CSRR. Again, this supports the overall findings relating to the employee-related dimension of the CSRR index: there is limited engagement by the Pakistani corporate sector concerning employee related issues. The items that are exceptions to this rule reveal the instrumental approach of the Pakistani corporate sector to employee-related CSRR. Tellingly, 23 out of the 25 sample firms disclosed their “efforts to improve workplace safety”. The greater focus on workplace safety comes in the wake of the tragic Karachi incident in 2012 which was discussed in chapter 2. The deaths of over 300 workers in that incident threw the spotlight on the unsafe and dismal working conditions that prevail in Pakistan, leading to the imposition of strict work and safety regulations by international organizations such as the ILO. Corporate prioritization of employee health and safety also serves to avoid the heavy costs that may be incurred as a result of workplace accidents. Similarly, detailed disclosures about “pension funds and bonuses for the employees”, and “the elimination of pollutants and hazardous elements at the workplace” were provided by 20 out of the 25 sample firms. A high proportion of the companies (80%) disclosed their “fair and transparent recruitment policies”. However, as previously argued, claims about good company policies do ring hollow when items that provide evidence of this, such as “employment policies for physically challenged people”, and quota systems for women and minorities employment, are simply not mentioned by the company.

Overall, there is evidence to support the argument that Pakistani corporations are highly selective and strategic about which employee-related CSRR items they disclose. The items which achieved high levels of disclosure indicate that pragmatic considerations such as workplace safety and the elimination of hazardous elements at the workplace are priority areas. This could be interpreted as a promising start by Pakistani corporations to ensure the welfare of employees, but equally, it could be interpreted as preemptive measures to avoid the heavy financial costs that come when workplace accidents occur. It is telling that many CSRR items in the employee dimension, which respondents in this study had attributed as significant, were simply omitted in the annual reports of corporations or only mentioned superficially. The CSRR items in this index reflect the realities of workplace issues in Pakistan and the uneven coverage of these items suggests that employee welfare is not the foremost priority of Pakistani corporations. Instead, Pakistani corporations appear to be more interested in disclosing information that

enhances their corporate image and in providing bold but unsubstantiated statements about their employment policies.

## 7.5 Energy dimension: Extent and Quality of CSRR

The CSRR index developed in consultation with Pakistani stakeholders consisted of five energy-related items that were considered relevant and significant in the context of Pakistan. The findings on the extent and quality of disclosures from the content analysis of the annual reports will now be discussed.

### 7.5.1 Extent of Disclosures

**Table 7.10: Extent of Energy-related CSRR**

CSRR item: Energy	Year				
	2015	2016	2017	2018	2019
Efforts to reduce energy consumption by installing energy-saving facilities	1.92	2.00	2.15	2.35	2.50
Disclosing company's energy conservation policies	2.35	2.46	2.80	3.00	3.16
Efforts to conserve energy in business operations	1.77	1.88	1.54	1.75	1.90
Meeting energy needs by using waste materials and alternative sources of energy	1.00	1.04	0.96	1.30	1.40
Raising concerns about energy shortages to the government	0.00	0.00	0.00	0.00	0.00

The energy crisis is an ongoing challenge in Pakistan that has affected industrial growth and productivity and it has also inflicted huge losses to the national exchequer (Hafeez et al., 2020; Dawn, 2014; The Economist, 2011). As the major consumer of energy and power, it is important that the corporate sector of Pakistan designs and implements strict energy conservation policies and that corporations report their efforts in the annual reports to ensure their accountability. The CSRR items in the energy dimension of the index reflect corporate energy conservation policies and initiatives to curtail the energy crisis in Pakistan.

The findings of the content analysis presented in table 7.10 indicate that Pakistani firms have allocated minimal space in their annual reports to discuss their energy conservation initiatives, which reflects the limited regard they have for this issue. As with the other CSRR dimensions that have been discussed, disclosure practices around the energy dimension focus on the provision of policy statements rather than reportage around actual initiatives to carry out these policies. For instance, the item “energy conservation corporate policies” received, on average, a sentence coverage of 2.35, 2.46, 2.80, 3.00,

and 3.16 from 2015-19. In contrast, items such as the “installation of energy-saving facilities” and “energy conservation efforts in the internal business operations” were, on average, discussed in 2 sentences. Hence, there is a contradiction between corporate claims of energy conservation and hard evidence of actual energy conservation efforts. An illustration of the brevity with which energy conservation initiatives are discussed by Pakistani corporations is presented below:

**Figure 7.11: An illustration of a Low Extent of Disclosures on Energy Conservation**

### Sustainability Measures

All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behavior, and energy conservation are an integral part of our business model.

Source: (International Steels Limited, 2018, p. 75)

The CSRR item “the use of waste materials as an alternative source of energy” was also largely neglected in the annual reports with only one sentence of disclosure on average. The last energy-related item, “raising concerns about energy shortage to the government”, was not disclosed by any of the sample firms in their annual reports. Although companies have discussed the country’s shortage of energy and its impact on their operations and net revenues in their annual reports, they appear not to have explicitly raised their concerns to the government. As one corporate manager suggests, direct criticism of the government is too risky a venture:

....they might be informally involved in supporting public outcry against energy shortage, but do not want to be in the limelight that might cost them in the form of cutting government subsidies, or increased penalties and other restrictions by the regulators. (CM5)

Overall, the extent of disclosure around items relating to the energy dimension of CSRR is low and disappointing. Given that the energy crisis in Pakistan has such a major impact on the corporate sector and the wider public, there is every reason for the government and regulators to intervene and encourage the efficient use of energy sources, and to offer incentives to firms that provide comprehensive and material disclosures on their energy conservation initiatives. In this way, the firms that minimally report on their energy-conservation practices might be encouraged to imitate the high reporting firms, which would ultimately improve the overall extent of reporting in Pakistan.

## 7.5.2 Quality of Disclosures

**Table 7.11: Quality of Energy-related CSRR**

CSRR item: Energy	Year					5 Years Average	Stakeholders Expectations
	2015	2016	2017	2018	2019		
Efforts to reduce energy consumption by installing energy-saving facilities	2.35	2.64	2.67	2.71	2.88	2.7	Neutral
Disclosing company's energy conservation policies	2.62	2.64	2.58	3.00	3.08	2.8	Neutral
Efforts to conserve energy in business operations	2.50	2.56	2.42	2.67	2.76	2.6	Important
Meeting energy needs by using waste materials and alternative sources of energy	1.81	1.80	1.67	1.96	2.00	1.9	Neutral
Voicing concerns about energy shortages to the government	1.00	1.00	1.00	1.00	1.00	1	Important

Table 7.11 shows that the quality of energy-related CSRR disclosures is generally low. Surprisingly, although the energy crisis is a major issue in Pakistan, the stakeholders participating in this study only assigned the majority of items in the energy dimension as being of neutral importance. This is matched by the low ADQVs for the respective items in this dimension: none of the items reached ADQVs of 4 or 5 and only one item, which pertains to the company's energy conservation policies, received an ADQV of 3. The items, "installation of energy-saving facilities" and "energy conservation in business operations", received limited corporate attention, with ADQVs ranging between 2.35 and 2.88. None of the sample firms discussed their actions to raise concerns about the energy shortage to the government, and hence, this item received the lowest quality value of 1. Although most firms provided low-quality disclosures on the energy dimension of CSRR, there were some exceptions, with a handful of firms providing high-quality disclosures that received the ADQVs of 5. Figure 7.12 illustrates an example of a high-quality disclosure relating to the energy dimension.

**Figure 7.12: An Illustration of Good Quality Reporting on the Energy Dimension**

## Energy Management Initiatives

In FY 2017 KE rolled out the ISO 50001 Energy Management System across the company. This is a comprehensive Energy Management framework to achieve optimal energy performance under a continuous improvement plan. KE's implementation of this system will allow the utility to further integrate energy management, efficiency and conservation into its overall operations and reduce greenhouse gas emissions and other related environmental impact. The ISO certification also reiterates the Company's commitment to the UN's Sustainable Development Goals and our commitment to combat climate change. KE's Energy Conservation department is creating real impact for KE's stakeholders by taking proactive measures to save energy and apply global energy efficiency standards. As a result of these efforts, the Company saved 4.6 MW and reduced carbon emissions by 7,325 MT CO<sub>2</sub> in FY 2017.

As part of its commitment to energy conservation and in-house energy efficiency, in FY 2017 the parking lot at the Company's Head Office was converted to a state-of-the-art solar PV parking structure, producing 265 KW of solar energy. This was in addition to transforming its head office lighting load from conventional to LED lighting, reducing the load by up to 80%. As a result of this initiative, KE mitigates an estimated 150,000 kg of CO<sub>2</sub> emissions annually, which is equivalent to planting

3,344 trees. KE's school initiative for educating children about energy conservation has become a major success where not only school children but parents, teachers and the overall school community has embraced the organisation's message on saving electricity and country's natural resources as part of sustainable living. More than 12,000 students around the city have pledged to save electricity as part of KE's Energy Conservation Initiative. Additionally, during FY 2017, the Energy Department, Government of Sindh and the Company inked a Memorandum of Understanding to raise public awareness around Energy Conservation and actively promote Energy Efficiency Initiatives.



Source: (Karachi Electric, 2017, pp. 39)

### 7.5.3 Number of Companies Disclosing Energy-related CSRR

**Table 7.12: Companies Disclosing Energy-related CSRR items**

CSRR item: Energy	Year				
	2015	2016	2017	2018	2019
Efforts to reduce energy consumption by installing energy-saving facilities	14	17	17	18	18
Disclosing company's energy conservation policies	18	18	18	22	22
Efforts to conserve energy in business operations	16	16	17	17	18
Meeting energy needs by using waste materials and alternative sources of energy	8	9	8	10	10
Voicing concerns about energy shortages to the government	0	0	0	0	0

Consistent with the findings of the extent and quality of energy-specific disclosures, table 7.12 indicates that the number of companies disclosing the energy dimension of CSRR was quite low. Compared to the other dimensions discussed thus far, the level of corporate disclosure by the sample firms was a closer match to the level of importance stakeholders had attributed to this dimension. Of the 25 sample firms, 22 had discussed their energy conservation policies during the study period. However, the number of companies disclosing their actual energy conservation initiatives was low. For instance, 18 companies offered information relating to the “installation of energy-saving facilities to

reduce energy consumption” item at least once during the 2015-19 period. Surprisingly, only 10 firms discussed the “use of waste materials and renewable energy sources” in their business operations. The low number of companies reporting on this important item is disappointing as, with the abundance of renewable energy sources such as solar and wind, it was expected that the corporate sector would have utilized these sources to a greater extent and disclosed their efforts in this regard. Finally, as discussed earlier, none of the sample firms referred to the item “raised concerns about energy shortage to the government” in their annual reports.

## 7.6 Product dimension: Extent and Quality of CSRR

The final dimension in the CSRR index is the product dimension which consisted of 10 items relating to product development and improvement, product labeling, quality and safety, customer services, and items relating to religious influences. The following sections discuss the findings relating to the extent and quality of product-specific CSRR.

### 7.6.1 Extent of Disclosures

**Table 7.13: Extent of Product-related CSRR**

CSRR item	Year				
	2015	2016	2017	2018	2019
Information on product development, packaging, & labeling	5.11	5.20	5.38	5.84	5.90
R&D projects to improve product quality	4.45	4.50	4.70	4.85	4.90
Information about meeting quality standards	3.60	3.64	3.67	3.48	3.92
Information about meeting safety standards	3.85	3.96	3.98	4.00	4.20
Improvement of customer services and support	5.65	5.70	5.85	5.90	6.00
Disclosure on precautionary measures while using product	0.56	0.63	0.63	0.50	0.57
Information about the side effects of the product, if any	0.1	0	0	0	0
Information about the Halal status of the product	0.1	0	0	0	0
Awareness about counterfeit production market	0.2	0	0	0	0
Minorities' needs for dietary requirements	0	0	0	0	0

Table 7.13 shows the number of average sentences disclosed on each product-specific CSRR item from 2015-19. Compared to the other CSRR dimensions, there is considerably more space allocated in the annual reports of the Pakistani firms sampled in this thesis for product-related disclosures. The corporate emphasis on product-related CSRR items supports the view of many respondents in this study who asserted that CSRR in Pakistan is tailored to the information needs of consumers. The findings presented in table 7.13 suggest that the sample firms disclosed 6 sentences on average about their “improved customer services” from 2015-19. This is followed by the item “product

development, packaging, and labeling” which, on average, comprised approximately 5-6 sentences worth of disclosure. A reason for the high disclosure rates of these two items is that they represent a marketing mechanism. According to a director of a consumer rights protection organization in Pakistan,

Look this is true that we are living in an underprivileged society, where a majority of the population is only concerned about the basic features of a product and lower prices, irrespective of the health and safety hazards. However, unfortunately, the companies in Pakistan somehow overemphasize the promotional aspects of the products rather than improving the product quality and safety, which is the irony. (SA5)

The three items in this dimension that respondents had ranked as the most important were “R&D for the improvement in product quality”, “meeting safety standards”, and “meeting quality standards”. Each of these items was disclosed in 4 sentences on average by the sample firms. Interestingly, the “halal status of the product”, which is a fundamental product requirement in Muslim society, received very low coverage (none to 0.1 sentences on average) in the annual reports of the sample firms. Possibly, the halal nature of a product is a mandatory condition for businesses in Pakistan and non-halal products cannot acquire a license to operate in the country. Hence, corporations might consider it unimportant to label their products halal and to provide disclosures about an item that is already ingrained in the rules of business. However, respondents in this study had felt that it is still vital for companies to disclose halal certifications in their annual reports and to ensure the halal nature of their products. Finally, there was no mention of the item “dietary needs of minorities” in the country. This reflects the low representation of, and weak advocacy for, minority rights in the country.

## 7.6.2 Quality of Disclosures

**Table 7.14: Quality of Product-related CSRR**

CSRR item	Year					5 Years Average	Stakeholders Expectations
	2015	2016	2017	2018	2019		
Information on product development, packaging, & labeling	3.35	3.36	3.33	3.25	3.32	3.3	Neutral
R&D projects to improve product quality	3.00	3.04	3.04	3.04	3.36	3.4	Important
Information about meeting quality standards	2.81	2.96	3.00	2.92	2.96	3.0	Neutral
Information about meeting safety standards	2.08	2.08	2.08	2.16	2.20	2.2	Neutral
Improvement of customer services and support	2.77	2.68	2.75	2.71	2.88	2.9	Neutral
Disclosure on precautions while using the product	2	2	2	2	2	2	Less imp.
Information about the side effects of the product	1	1	1	1	1	1	Neutral

Information about the Halal status of the product	1	1	1	1	1	1	Very Imp.
Awareness about counterfeit production market	1	1	1	1	1	1	Neutral
Minorities' needs for dietary requirements	1	1	1	1	1	1	Important

Table 7.14 presents the quality of disclosure on the product dimension alongside the level of importance each item was assigned by the Pakistani stakeholders. Like the energy dimension, most of the items in the product category were considered to have neutral importance in the Pakistani context. As observed by the stakeholders, in a country where almost 39% of the population lives below the poverty line, people are hardly concerned about product quality and safety, labeling, packaging, and customer care services. Consequently, they are not particularly interested in the finer details of information disclosed in corporate annual reports. Overall, there is a reasonable match between the level of importance stakeholders have assigned to product-related CSRR items and the quality of disclosures by Pakistani corporations. The items in which corporate disclosure levels fell significantly short of stakeholder expectations were the “halal nature of the product”, providing information about the “side effects of the product”, “awareness about counterfeit production markets”, and the “dietary needs of the minorities”.

### 7.6.3 Number of Companies Disclosing Energy-related CSRR

**Table 7.15: Companies Disclosing Product-related CSRR items**

CSRR item	Year				
	2015	2016	2017	2018	2019
Information about product development, packaging, and labeling	24	24	24	24	25
R&D projects to improve product quality	19	20	20	21	21
Information about meeting quality standards	21	21	21	22	22
Information about meeting safety standards	18	18	19	20	20
Improvement of customer services and support	23	23	23	22	23
Information about precautionary measures while using the product	2	2	2	2	2
Information about the side effects of the product, if any	1/3	0/3	0/3	0/3	0/3
Information about the Halal status of the product	1/3	0/3	0/2	0/2	0/2
Awareness about counterfeit production market	1	0	0	0	0
Minorities' needs for dietary requirements	0/3	0/3	0/2	0/2	0/2

Consistent with the findings discussed above, the majority of the sample firms (23 out of the 25) concentrated their disclosure efforts on items that can double up as marketing tools: product development, packaging, labeling, and customer services and support. Around 80% of the firms provided some level of disclosure on their “quality and safety

measures”, yet the percentage should be high considering the importance of these items to the consumers. Only two firms disclosed information relating to the item “precautionary measures while using the products”. Counterfeit products are on the rise in Pakistan but curiously, only Pakistan Tobacco Company Ltd in its year 2015 annual report raised this issue, detailing its effects on consumer health and corporate profits, and calling for government intervention to eradicate this corporate crime. Of the three food-related companies, only Engro Foods discussed their “halal certifications and operations”. The item relating to the dietary requirements of minorities received no coverage by any of the companies, which again reflects their marginal rights in Pakistan.

Overall, the extent and quality of CSRR practices in Pakistan are relatively low. Many of the CSRR items that were deemed important by the Pakistani stakeholders were either completely neglected or discussed at a very superficial level. The findings indicate that, on average, less than 5% of the sample firms’ annual reports were allocated to discuss CSR initiatives, which is very low considering the relevance and importance of these initiatives, and their disclosure, in Pakistan. Furthermore, the discussion on CSR in Pakistan is overly focused on policy statements, with limited coverage on exactly how corporations are implementing these policies. Interestingly, disclosure levels on CSRR items with close linkages to Islam are also very low, both in terms of the amount and quality of reporting. That said, a handful of Pakistani corporations such as FFC Ltd. KEL, and Engro Ltd. showed evidence of extensive and good quality reporting on a range of CSRR items. Moreover, a gradual increase in the extent and quality of CSRR can also be observed across the study period of 2015-19.

The next section presents a sectoral analysis of the extent and quality of CSRR in Pakistan.

## **7.7 Sectoral Analysis of the Extent and Quality of CSRR in Pakistan**

The sample firms analyzed in this study belong to eighteen different industrial sectors. The nature of operations of the sample firms differs significantly, as some firms are involved in manufacturing while others engage in services and distribution activities. Consistent with several scholars (Chan et al., 2014; Lu & Abeysekera, 2014; da Silva Monteiro & Aibar-Guzmán, 2010; Deegan & Gordon, 1996; Roberts, 1992) who suggest that CSRR practices differ significantly across the industries, a sectoral analysis was conducted to draw comparisons between the industries in Pakistan based on the extent and quality of CSRR in their annual reports. Finally, to validate the findings presented in

table 7.16, a significance test was conducted to statistically validate the variations in the extent and quality of CSRR across the Pakistani industries.

According to the classifications provided by the Pakistan Stock Exchange, the sample firms were drawn from eighteen industries operating in Pakistan. However, since some of the industries were highly related in their operations, they were merged for simplicity and better logical comparisons. For instance, the nature of business and operations of the automobile assemblers and automobile parts and accessories are closely related, and therefore these two industries were merged as the automobile industry. Similarly, the companies in the textile composite, textile spinning, and textile weaving industries were grouped as the textile industry.

The extent and quality of disclosure on the five CSRR dimensions for each of the industrial sectors are presented below in table 7.16.

**Table 7.16: Extent and Quality of CSRR by Industry**

Sector/ Industry	Explanation	Community	Environment	Employee	Energy	Product
Oil & Gas	Average Sentence	2.02	1.65	2.55	2.23	4.66
	Std. Deviation	2.65	2.12	3.52	2.24	6.09
	Average Quality	2.40	2.14	2.31	2.46	2.51
	Std. Deviation	1.42	1.16	1.25	1.20	1.31
Technology & Communication	Average Sentence	0.61	0.23	0.72	0.00	3.20
	Std. Deviation	1.20	0.82	1.70	0.00	4.23
	Average Quality	1.51	1.19	1.48	1.00	2.00
	Std. Deviation	1.03	0.70	1.02	0.00	1.62
Cement	Average Sentence	1.79	2.65	1.24	2.20	4.35
	Std. Deviation	2.95	3.95	2.51	2.58	5.28
	Average Quality	2.12	2.52	1.71	2.09	2.54
	Std. Deviation	1.27	1.35	1.09	1.25	1.22
Fertilizers & Chemicals	Average Sentence	3.16	1.54	1.97	2.18	4.13
	Std. Deviation	4.07	1.90	2.88	2.49	5.90
	Average Quality	2.67	2.42	2.29	2.27	2.21
	Std. Deviation	1.34	1.36	1.38	1.36	1.23
Power Generation	Average Sentence	2.39	1.03	1.37	0.85	3.54
	Std. Deviation	4.56	1.58	2.53	1.08	5.70
	Average Quality	2.09	2.07	1.81	2.05	2.05
	Std. Deviation	1.33	1.29	1.28	1.26	1.27

Food & Personal Care	Average Sentence	1.59	1.23	2.50	0.75	4.81
	Std. Deviation	2.52	1.69	3.26	0.91	7.10
	Average Quality	2.13	2.38	2.16	1.70	2.63
	Std. Deviation	1.40	1.38	1.63	0.98	1.41
Cable & Electrical Goods	Average Sentence	2.53	0.83	1.20	1.00	3.83
	Std. Deviation	3.33	1.78	1.99	1.29	6.47
	Average Quality	2.31	1.54	1.86	1.64	2.43
	Std. Deviation	1.21	0.90	1.43	0.86	1.30
Textile	Average Sentence	0.64	1.02	0.80	1.13	2.95
	Std. Deviation	1.10	1.23	1.46	1.20	4.08
	Average Quality	1.60	2.00	1.56	2.00	2.30
	Std. Deviation	0.74	0.97	0.87	1.02	0.73
Pharmaceutical	Average Sentence	0.96	1.41	0.82	0.68	3.34
	Std. Deviation	1.97	2.20	1.59	1.70	6.31
	Average Quality	1.45	1.57	1.50	1.76	2.02
	Std. Deviation	0.90	1.00	0.96	1.01	1.32
Automobile	Average Sentence	0.71	1.11	0.68	0.16	3.94
	Std. Deviation	1.41	2.12	1.37	0.37	6.57
	Average Quality	1.75	1.93	1.70	1.30	2.14
	Std. Deviation	1.20	1.22	1.17	0.75	1.14
Engineering	Average Sentence	2.95	1.88	1.41	1.60	4.18
	Std. Deviation	3.89	2.12	2.34	1.30	7.53
	Average Quality	2.5	2.45	1.89	2.23	2.52
	Std. Deviation	1.28	1.23	1.21	1.33	1.17

Table 7.16 shows the fertilizer and chemical industry as the leading industry in terms of the extent (averaging 3.16 sentences) and quality (ADQV of 2.67) of disclosures on the community dimension. The fertilizer and chemical industries can be considered high profile industries due to their size, visibility, and nature of operations that easily attract government and public attention (Chan et al, 2014; Roberts, 1992). It is argued that companies operating in the fertilizer and chemical industry invest more in community development programs and provide additional disclosures to legitimize their operations and to divert and manipulate the regulatory and public views about them. In this way, sensitive industries like fertilizer and chemical industries emphasize more on their community reputation as depicted in the high extent and quality of CSRR on the community dimension.

Figure 7.13 illustrates the high extent and quality of CSRR on the community dimension by one of the fertilizer companies.

**Figure 7.13: An illustration of Good Quality Reporting from FFC Annual Report**

## SOCIAL AND RELATIONSHIP CAPITAL

**Highlights of Corporate Social Responsibility**

Rising to challenges by unearthing opportunities has been the hallmark of FFC since our inception in 1978. Envisioned and established to attain self-sufficiency in domestically produced international-standard fertilizer, FFC embarked on a never-ending commitment of being a patron to the needs and hardships of farmers and agriculture in Pakistan.

This commitment has culminated in the successful implementation of Country's one of the largest private sector program for the capacity-building, technical support and on-ground assistance of farmers by FFC, having served over 2.2 million farmers till date.

FFC primarily focuses on promotion of education, health, environmental conservation and community uplift of underprivileged and marginalized communities.

**Food Security & Agriculture Centers of Excellence (FACE) Project**

To play our role towards prosperity of the future generations, FFC has initiated the "FACE" project aimed at addressing the issue of Food Security besides promotion and implementation of Sustainable and Climate-Smart Agriculture practices as a mean to cope with the above challenges. The program will work through establishment of its centers across Pakistan offering wholesome solutions to farmers and local community, based on the following services:

**Agriculture**  
Support to small and medium scale farmers over latest technologies, market economy, value chain and climate change

**Health**  
Catering medical issues of farmers through provision of well equipped dispensaries, capacity building on health and hygiene and awareness campaign



**Education**  
Bridging gaps and constraints to provide free and quality education to farmers' children

**Financial Assistance**  
Extending financial support to farmers through:

- Low mark-up soft loans through partner organization
- Agri. finance facilities
- Awareness of Government's financial packages

**Women Empowerment**  
Empowering women to contribute in sustaining livelihood of the household through vocational trainings, micro entrepreneurship and establishing market linkages for domestic produce

**Human Resource Development**  
Capacity building of farmers on:

- Modern agriculture technologies
- Farm machinery management
- Climate change
- Disaster Risk Management
- Smart use of farm inputs

**Veterinary Assistance**

- Assistance of farmers in maximum utilization of animals
- Providing animal healthcare services
- Establishing linkages to market animal produce

**Youth Development**  
Providing farmers' children with unique opportunities to acquire sustainable skill development knowledge and generate income based livelihoods

**Education**  
Provision of quality education is the single most important factor for long term development of a Country. At FFC, we have dedicated a substantial portion of its CSR program towards promoting education, especially in underprivileged and remote areas of the Country.

**Highlights**  
Highlights of some of our contributions in the field of education, during the year are as under:

- Patronage of adopted schools in the proximity of plant site Goth Machhi through Infrastructure Development, Faculty and Allied Services
- Extension of financial assistance to deserving students via Sona Wards of Farmers Scholarship through education stipend to cater to their financial needs
- Grant of 10 merit based scholarships to students from Tehsil Sadiqabad for higher education
- Donation of Rs 13.5 million to Sona Public School & College, FFC's flagship program for the promotion and provision of quality educational opportunities to all
- Sponsorship of 8 students of Cadet College Ghotki

**Sports Promotion**  
Over the years, FFC has played a prominent role in the promotion of sports activities and development of new talent.

**Highlights**  
During 2019, we continued to deliver on our commitment through the following initiatives:

- Sponsorship of Annual Golf Championship, Rahim Yar Khan
- Sponsorship of various local sporting events in Tehsil Sadiqabad
- Donation for National Solidarity Taekwondo Championship 2019
- Donation for 12th All Pakistan Sona Cup Football, Hockey and Volleyball Tournaments
- Donation for All Punjab Sona Kabaddi Tournament
- Donation for All Punjab Floodlit Sona Cup Invitational Girls Volleyball Championship 2019

**Health**  
FFC believes that healthcare is the fundamental right of every person. We endeavor to ensure provision and improvement of essential medical facilities, especially in the vicinity of the Company's Head Office and Plant sites.

**Healthcare Activities at Plantsites**  
We are committed to providing free of cost, quality healthcare to the underprivileged communities in the vicinity of FFC Plantsites, through Hazrat Bilal Trust Hospital, Goth Machhi and Sona Welfare Hospital, Mirpur Mathelo. During 2019, the Company contributed Rs 15 million to these facilities for treatment of approximately 150 thousand deserving patients. The Company also provided medical assistance through financial support and provision of medicines to various patients of Goth Machhi, Sadiqabad.

**Highlights**  
Other interventions carried out by the Company in Healthcare include:

- Medical camp as part of Campaign against Hepatitis C
- Setup of dog bite treatment counter at Sona Welfare Hospital

Source: (Fauji Fertilizers Company Limited, 2019, pp. 93-94)

On the environment dimension, the cement industry provided the highest extent and quality of reporting with 2.65 average sentences and 2.52 ADQV respectively. One of the reasons for the comparatively higher extent and quality of environment-related CSRR is the environment-polluting nature of the cement industry. Companies in the cement industry have serious negative impacts on the environment in the form of high emissions of hazardous gases, waste and water disposal, and so on. In turn, these companies tend to become involved in different environmental projects and to provide higher amounts of environment-related disclosure, which are also better in quality, to divert regulatory attention, legitimize their operations, and ensure their continued existence in society

(Chan, Watson, & Woodliff, 2014; da Silva Monteiro & Aibar-Guzmán, 2010; Roberts, 1992).

Figure 7.14 presents an excerpt from Lucky Cement’s annual report to demonstrate the high extent and quality of reporting on the environment dimension of CSRR.

**Figure 7.14: An Excerpt from the Lucky Cement Ltd. Annual Report**



**Environment**

Implementation of environment friendly operations has always been a priority of Lucky Cement. We have been successful in establishing a leadership position in the market by achieving this target through strategic orientation.

**Reduction in CO<sub>2</sub> Emissions – further sustainability initiatives**

We are the pioneer of revolutionizing sustainable manufacturing through the execution of our Dual-Fuel Conversion Project which has helped in conversion of energy generation from furnace oil to environment-friendly alternative sources. The effective execution of this venture has allowed us to decrease emissions of CO<sub>2</sub> by 29,000 metric tons per annum.

We have the capacity to use alternatives to coal through innovations like the Tyre Derived Fuel (TDF) Plant. The Dual Fuel Project also qualifies for the Clean Development Mechanism (CDM) under the Kyoto Protocol that creates emissions reduction credits through emissions reduction projects in developing countries. Under this protocol, pro-environment organizations can earn Certified Emission Reduction (CER) credits.

As a Company we also have the capacity to utilize Refuse Derived Fuel (RDF) system that is making use of Municipal Solid Waste (MSW) and Rice Husk as alternative to fuel.



The ability to transform from a fossil-fuel based energy to alternative-energy structure is a specimen of our drive to protect the ecosystem and community around our plants.

**Waste Heat Recovery Plant – Acquisition of green technology**

In any industrial process, heat is wasted as a result. If not used efficiently, waste heat is released into the atmosphere. A Waste Heat Recovery (WHR) Plant utilizes residual heat, consuming no fuel, and lowering dust emissions and temperature of discharged heat thus having a positive impact on the environment.

We have five Waste Heat Recovery Plants - Three in Pezu and two in Karachi. The cumulative generation capacity of these three WHR plants in Pezu is 25.20 MW and the cumulative capacity of the two WHR plants in Karachi is 20.5 MW.

The WHR unit does not need any externally fed fuel to operate, but it uses the waste heat from the system.

The design of these plants hinges on the idea of encapsulating all the waste heat and using this heat to generate steam from boilers, which drive the turbine engines, thus producing electricity.

Being one of the leading cement manufacturers in Pakistan, we have the responsibility and opportunity to contribute in bringing sustainability in the cement industry. For this we have

extensively invested in implementing projects that reduce energy consumption and address issues of environmental degradation. These projects have not only reduced our production costs, but have significantly reduced carbon emissions.

With these technological developments in place, we have earned precious carbon credits as per the Kyoto Protocol, under the United Nations Clean Development Mechanism for our environment friendly operations and green projects. We are also one of the few companies in Pakistan to report sustainability performance in shape of a sustainability report, and were the first company in Pakistan to receive an A+ ranking on our sustainability report by the Global Reporting Initiative (GRI), Netherlands.

**Tree Plantation at Karachi and Pezu Plant –“Sustaining Green” Initiative at Lucky Cement**

We are proactive in promoting activities that deal with environment-preservation. Tree plantation drives are at the forefront of our sustainable eco-friendly practices and the areas surrounding Karachi and Pezu cement plants bear testimony to this fact. As part of our on-going tree plantation drive, till date, Lucky Cement has planted over 34,000 tree saplings within the surrounding area of each plant. A green belt project, spanning across some of the old mining areas of the Karachi plant, was initiated to implement sustainable mining practices.

**ClimateLaunchpad Pakistan**

In an effort to promote the significance of sustainable environment, Lucky Cement Limited sponsored Climate Launchpad Pakistan Competition organized by Stimulus. The competition received 100 applications from across Pakistan addressing solutions to challenges in agriculture, healthcare, energy efficiency, water and waste management. Top 25 teams from 100 were selected to attend a boot camp. Participants at the boot camp included teams from Karachi, Islamabad, Peshawar, Multan, Sahiwal, Mardan, Swabi and Gilgit. From these 25 team the top two teams will represent Pakistan internationally at the Global Competition to compete against 9 other countries for the global prize.

**Sulphur Oxides (SO<sub>x</sub>)**

Like NO<sub>x</sub> emissions, the power house emissions of SO<sub>x</sub> are guaranteed to remain within the NEQS. Moreover, we have shifted from the use of Furnace Oil to Natural Gas for power generation. This has also contributed in the significant reduction of the SO<sub>x</sub> emissions.

**Particulate Matter**

Bag houses are installed in the entire production system and dropping distances during material transfers are kept minimum thereby reducing emissions of particulate matters. Limestone is the major raw material used in cement production. Limestone has high moisture content and is hard in nature. Due to these properties, emission of fine limestone during the blasting at the quarry is very low. Additionally, splinters generated during blasting are quite large and resultantly they do not fly over longer distances.

**MITIGATING EFFORTS TO CONTROL INDUSTRY EFFLUENTS**

We have a comprehensive air quality measurement program so as to identify the limits of pollution parameters in the ambient air in and around Lucky Cement’s plants. The stack emissions monitoring is done on a monthly basis for the priority parameters in compliance with the requirements of NEQS (Self-Monitoring and Reporting) Rules, 2001.

**Emissions from Power Generation and Cement Manufacturing Process**

Natural gas is the most utilized fuel for power generation. Furnace oil is also used in some engines. The levels of particulate matter, Sulphur dioxides, oxides of nitrogen, and carbon monoxide are monitored from the stacks of power generation engines by a reputable third party laboratory.

All of the parameters monitored are well below their respective limits specified in the National Environmental Quality Standards (NEQS). Similarly, the levels of emissions from stacks for particulate matter, Sulphur dioxides, oxides of nitrogen, carbon monoxide and carbon dioxide are well below their respective limits specified in the NEQS.

**Nitrogen Oxides (NO<sub>x</sub>)**

Emissions from the power generators in the power houses are minimized by using special low NO<sub>x</sub> burners, in addition to achieving fuel burning efficiency. Thus we have ensured that the levels of gaseous emissions and particulate matter will remain within the NEQS limits.

**Noise Pollution**

The designing of our plants at Karachi and Pezu has been done while taking into account that the noise levels remain within the acceptable limits of the NEQS. Regular repair and maintenance of the Plants guarantees compliance of noise levels with the NEQS.

The plant site at Pezu is surrounded by high hills in a semicircle on its North-East side. These hills are additionally a good barrier for noise cut off in the environment. Monitoring for noise levels was carried out at different points at Karachi and Pezu plant sites and limestone and clay quarries. Similarly, monitoring for noise levels was carried out at different points on the boundary walls of the plant sites where minimal instances of excursions were witnessed.



Source: (Lucky Cement Limited, 2019, pp. 154-155)

The oil and gas industry had the highest levels of disclosure, both in terms of amount and quality, with respect to the information relating to the employee and energy dimensions. On average, information relating to these two dimensions was covered in 2.55 and 2.23 sentences respectively. The strong performance of the oil and gas industry in disclosing information relating to employees and energy may be attributed to the hazardous nature of the industry. That is, the oil and gas industry is more prone to workplace health and safety related accidents, and such accidents can be particularly costly. To avoid the costs and penalties associated with such accidents, companies operating in the oil and gas industries take extensive safety measures and disclose these efforts to portray a

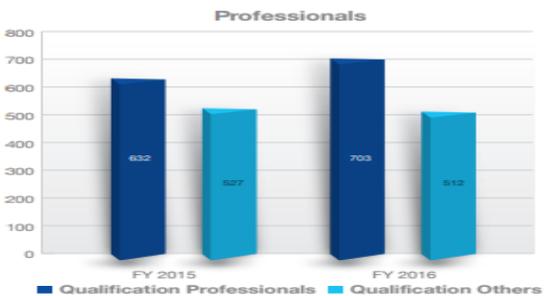
responsible corporate image. Moreover, as a high profit-generating industry, companies in the oil and gas industry have more resources to provide a range of employee benefits, rewards, and facilities to attract and retain employees. Hence, the amount and quality of employee-specific CSRR in the annual reports of companies in this industry is particularly high, of which figure 7.15 presents an example below:

**Figure 7.15: An Excerpt from the Pakistani State Oil Ltd. Annual Report**

**Employee Sourcing & Recruitment**

The company's strategies and assessment play a major role in attracting the best resources. With the belief that hiring the best affects business growth goals, the best professionals were selected from the market through equal opportunity employment for both experienced and entry level positions. In the period under review, diversified talent in the fields of Engineering, Marketing, Finance, Human Resources and Information Technology were hired at various levels.

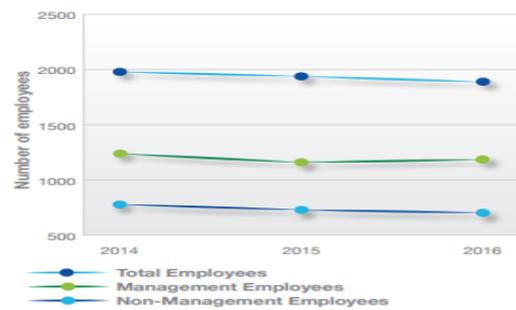
The company's management cadre consists of professionals possessing qualifications such as CA/CMA/ACCA, PhD, MBA, and BE amongst others. In the period under review, the company's professional strength has increased by 11.2%.



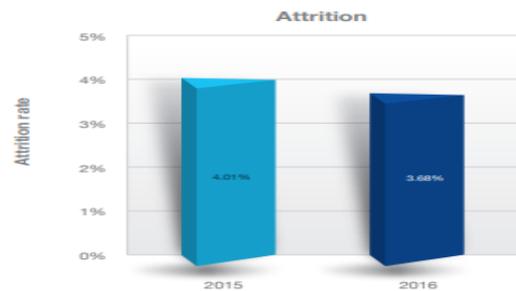
A networking initiative was undertaken with the objective of attracting top talent from prestigious business and engineering institutes, so that they may help bridge the gap between Industry and Academia and contribute in future company profits. Representatives from the company's Human Resource Department and senior management visited various institutes and counseled young professionals on shaping their careers. This exercise also aimed at tapping potential talent for future employment plans at entry level positions.

A proactive approach was adopted wherein upcoming retirements in the next three years were analyzed and recruitment of senior management positions was planned accordingly. These initiatives were undertaken to further strengthen the concrete foundation laid for the achievement of long term corporate strategies and goals.

**Total Work Force & Turnover**



The attrition rate has decreased by 3.68% as compared to 4.01% in the previous year due to the increased employee engagement.



Source: (Pakistan State Oil Limited, 2016, pp. 68-72)

Finally, table 7.16 indicates that the companies belonging to the food and personal care industry provide a higher extent (4.81 average sentences) and quality (ADQV of 2.63) of disclosures on the product dimension of CSRR. It can be argued that the majority of items in the product dimension (such as side effects of products, halal nature, minority dietary needs, and side effects of product) only apply to companies in this sector and not to the other industries. Consequently, the food and personal care industries receive high mean values in terms of the extent and quality of disclosures on the product dimension of CSRR.

Figures 7.16 presents an excerpt from the annual reports of one of the food and personal care companies.

**Figure 7.16: An Excerpt from the National Foods Ltd. Annual Report**



Source: (National Foods Limited, 2019, pp. 59)

The technology and communication industry was the low-performing industry in terms of disclosures on all five dimensions of CSRR. This industry showed low amounts of disclosure, with, on average, 0.61, 0.23, 0.72, 0.00, and 3.20 sentences used to cover CSRR items relating to the community, environment, employee, energy, and product dimensions respectively. Moreover, the technology and communication industry also received the lowest scores in terms of quality of reporting with ADQVs of 1.51, 1.19, 1.48, 1.00, 2.00 on all the five CSRR dimensions respectively. As one of the CSR experts suggested, companies in the technology and communication sector are relatively smaller, and they have limited resources. Moreover, they are less visible to the public and regulatory authorities since their impact on society and the environment is considerably lower. As such, there may be less motivation for companies in this industry to allocate their limited resources to voluntary activities such as CSR and CSRR.

### 7.7.1 Significance Test: Kruskal-Wallis Test

The extent and quality of CSRR vary significantly across the industries. To statistically test and establish the industry-wide or sectoral differences that have been described thus far, a non-parametric test was used: the Kruskal-Wallis test. The results of the Kruskal-Wallis test are presented in table 7.17 below:

**Table 7.17: Kruskal-Wallis Test for the Industry-wide Differences in CSRR Practices**

Industry	Extent of Reporting		Quality of Reporting
	Total Sentences <sup>51</sup>	Average	Average Disclosure Quality <sup>52</sup>
Oil & Gas	13.11		2.36
Technology & Communication	4.76		1.44
Cement	12.23		2.32
Fertilizers & Chemicals	12.98		2.37
Power Generation	8.79		2.01
Food & Personal Care	10.88		2.26
Cable & Electric Goods	9.39		1.96
Textile	6.54		1.89
Pharmaceuticals	5.94		1.66
Automobile	6.6		1.76
Engineering	12.02		2.42
<b>Significance level (P-value)</b>	<b>0.042**</b>		<b>0.001***</b>

The Kruskal-Wallis test is a non-parametric statistical test used to examine the differences among three or more sample groups on a single continuous variable (McKnight & Najab, 2010). The p-values reported in table 7.17 suggest that there are statistically significant differences in the extent and quality of CSRR among the eleven industries. The companies in the oil and gas, cement, fertilizers and chemicals, and engineering sectors provide a significantly high extent and quality of disclosures on their overall CSR. In contrast, small and less resourceful industries such as cable and electrical goods, pharmaceuticals, and technology and communication have relatively lower levels of CSRR, both in terms of the extent and quality of reporting. The findings from the Kruskal-Wallis test confirm that there are significant sectoral differences with large-sized and highly visible industries providing more CSRR disclosures compared to the smaller and less visible industries. Companies that are large and highly visible are compelled to

<sup>51</sup> = $\Sigma$ (average sentences of the five CSRR dimensions)

<sup>52</sup> = $\Sigma$ (ADQVs of the five CSRR dimensions)

engage in CSRR to legitimize their operations, divert public and regulatory attention, portray a good corporate image, and ultimately ensure their existence in society.

## **7.8 Conclusion**

This chapter presented the findings of the qualitative content analysis to assess the extent and quality of CSRR practices of Pakistani corporations. The analysis included (a) the evaluation of the extent of disclosures using sentence count as a measuring tool, and (b) a quality assessment using the quality criterion established in Chapter 6. This was followed by a cross-industry analysis on the extent and quality of CSRR, and a significance test to statistically check for any variations in the extent and quality of CSRR across the different industries.

The item-by-item and dimension-wise analysis found a very low extent of disclosures for many CSRR items that were considered important by the stakeholders participating in this study. Almost 74% of the items (52 out of 70) received only 1-2 sentences on average in the annual reports of the 25 sample firms. Of the five CSRR dimensions, the product dimension received the highest levels of attention, with more sentences being used to cover this dimension of CSRR. Based on the levels of coverage in the annual reports, the order of importance for the other four dimensions was as follows: community, employee, energy, and environment. Although some firms provided high-quality disclosures and received the maximum ADQVs of 5 for certain items, by and large, the CSRR quality for most firms was low. Much of the information disclosed was descriptive and lacked substantiation or detailed monetary or quantitative information. It would appear that the actual CSRR practices of Pakistani corporations fall well short of the issues that stakeholders regard as important.

The next section discussed the industry-wide differences in the extent and quality of CSRR. The findings of the Kruskal-Wallis test confirmed the existence of sectoral differences suggesting significant variations in CSRR across the industries. The oil and gas, cement, fertilizers, chemicals, and engineering industries disclosed a significantly higher amount and quality of CSRR as compared to companies operating in industries that have a lower profile such as technology and communication, and cable and electrical goods.

Based on the findings in this chapter, certain inferences about the current CSRR practices in Pakistan can be made. First, there exists a significant gap between what Pakistani

stakeholders view as important and the level of attention Pakistani corporations give to these issues, at least as far as CSRR practices go. Possible reasons for this mismatch may be the lack of a standard and universally applied CSRR framework which is tailored to the context of Pakistan. Another reason may be a general lack of stakeholder engagement on the part of corporations and minimal mechanisms for feedback. Moreover, although Islam is the dominant religion in the country and Islamic prescriptions provide clear directives and guidelines on CSR and CSRR, the actual influence of Islamic teachings on the business affairs of Pakistan is very low. It would appear that Pakistani corporations are primarily concerned about keeping their shareholders happy rather than satisfying the information needs of wider stakeholders. More fundamentally, the corporate sector in Pakistan does not face high legitimacy threats as stakeholders appear to have limited awareness of CSR issues, and there are weak regulatory accountability and enforcement mechanisms in Pakistan. All these factors contribute to the low extent and quality of CSRR in Pakistan. Finally, the findings of the content analysis indicate that CSRR in Pakistan is primarily employed as a means to enhance corporate reputations, as opposed to reflecting genuine concerns around CSR issues.

The next chapter empirically examines the determinants of CSRR in the case of Pakistan.

## Chapter Eight

### Factors Influencing the Extent and Quality of CSRR Practices in Pakistan

#### 8.1 Introduction

This chapter examines the factors influencing the extent<sup>53</sup> and quality of CSRR practices in Pakistan. Evidence on the relationship between company attributes and CSRR practices has been provided in the developed countries (Adel et al., 2019; Sial et al., 2018; Brammer et al., 2007; Gamerschlag et al., 2011; Rao & Tilt, 2016; Reverte, 2009; Stanny & Ely, 2008) and developing countries (Ting, 2021; Fahad & Nidheesh, 2020; Maria da Conceição & Rodrigues, 2019; Muttakin & Khan, 2014; Said, Zainuddin, & Haron, 2009). However, only a few studies (Khan, Lockhart, & Bathurst, 2020; Lone et al., 2016; Majeed et al., 2015; Sharif & Rashid, 2014) have investigated Pakistan, primarily focusing on the determinants of the extent of CSRR without examining the quality of CSRR. Furthermore, CSRR studies in Pakistan have utilized CSRR indices from other contexts to assess the extent of CSRR (see, for instance, Majeed et al., 2015; Sharif & Rashid, 2014). In contrast, this study develops a CSRR index that has been specially tailored for the Pakistani context in order to more accurately measure the extent and quality of CSRR in Pakistan. It examines how factors such as firm size, profitability, age, the size of the board, and independent and female directors influence both the extent and quality of CSRR in Pakistan.

This chapter is structured into the following sections. Section 8.2. discusses the company attributes or factors examined in this study. Section 8.3. presents the tools used to analyze the data. This is followed by a discussion on the findings of the correlation and regression analysis in section 8.4. Finally, section 8.5. summarizes and concludes the chapter.

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<sup>53</sup> As discussed in chapter 5, the extent of CSRR means the quantity of CSRR reported in annual reports, assessed by sentence count.

## **8.2 Company Attributes/ factors and the Extent and Quality of CSRR**

This section discusses the company attributes that are expected to influence the extent and quality of CSRR practices in Pakistan, and describes the proxies used to measure the company attributes in this study.

### **8.2.1 Firm Size**

Of the company attributes that influence CSRR practices, firm size is one of the most researched. Several studies (for instance, Fahad & Nidheesh, 2020; Haniffa & Cooke, 2005; Inchausti, 1997; Martin & Hadley, 2008; Moore, 2001; Naser & Hassan, 2013; Stanny & Ely, 2008; Zheng, Balsara, & Huang, 2014) have documented a significant positive relationship between firm size and the extent of CSRR, suggesting that bigger companies tend to disclose a higher extent of CSRR information than smaller firms. Similarly, CSRR literature also suggests a positive association between firm size and quality of CSRR (Adel et al., 2019; Sulaiman, Abdullah, & Fatima, 2014; Latridis, 2013). The positive association between firm size and CSRR is attributed to several reasons. First, being easily visible to the public, the operations of large firms are subject to greater public and regulatory scrutiny and thus large firms provide more CSRR to legitimize their operations and ensure continued existence (Cowen et al., 1987; Dierkes & Coppock, 1978; Udayasankar, 2008). Second, the extent and quality of CSRR for large firms are high as they have more financial and human resources and lower reporting costs to compile and provide such disclosures (Ho & Taylor, 2007; Naser & Hassan, 2013). Finally, as compared to smaller firms, large firms have more shareholders who might demand the accountability of social projects, and thus require these corporations to disclose about these projects (Cowen et al., 1987). Hence, the following hypotheses for firm size have been proposed:

H<sub>1a</sub>: There is a significant positive association between firm size and the extent of CSRR.

H<sub>1b</sub>: There is a significant positive association between firm size and the quality of CSRR.

There is no agreement on a single measure or proxy for firm size (Hackston & Milne, 1996). Several measures such as total assets (Dang, Li, & Yang, 2018; Das, Dixon, & Michael, 2015; Siregar & Bachtiar, 2010), market capitalization (Deitiana, 2015), and the number of employees (Ting, 2021; Wickert, Scherer & Spence, 2016; Baumann-Pauly et

al., 2013) have been used in the past. This study uses the log of total assets to measure firm size as it has been widely used in prior studies (Gomes, 2019; Sial et al., 2018; Dang, Li, & Yang, 2018; Brammer & Pavelin, 2008; Hackston & Milne, 1996; Hall & Weiss, 1967). The log value of firm size is a better measure for firm size as it helps to reduce skewness in the data for better statistical analysis (Dang, Li, & Yang, 2018).

### **8.2.2 Profitability**

Profitability is another frequently examined company attribute in CSRR research (for example, Ting, 2021; Sial et al., 2018; Muttakin, & Siddiqui, 2013; Othman, Thani, & Ghani, 2009; Barako, 2007; García-Ayuso & Larrinaga, 2003; Moore, 2001; Hackston & Milne, 1996; Roberts, 1992). It is argued that highly profitable companies have more resources to invest in social and environmental activities and to provide voluntary disclosures to meet stakeholders' information expectations (Sial et al., 2018; Dienes & Velte, 2016; Haniffa & Cooke, 2005; Siregar & Bachtiar, 2010). Since profitability signals the effectiveness of corporate management, highly profitable companies provide more voluntary disclosures to highlight their management effectiveness and to distinguish themselves from less profitable companies (Naser & Hassan, 2013). Comparatively, companies with lower profits focus more on their economic survival and growth rather than spending on discretionary activities like CSR and CSRR (Brammer & Millington, 2006). Thus, in line with the extant studies, the following hypotheses for profitability have been proposed:

H<sub>2a</sub>: There is a significant positive association between profitability and the extent of CSRR.

H<sub>2b</sub>: There is a significant positive association between profitability and the quality of CSRR.

In previous studies, several proxies have been used to measure profitability, such as return on assets (ROA), return of equity (ROE), operating profit margin, net profit to sales, and return on capital employed (Oware & Malakarjunappa, 2020; Chen, Hung, & Wang, 2018; Brammer & Pavelin, 2008). In line with extant research, this study uses ROA as a proxy for profitability, which is one of the most effective and commonly used measures of a firm's profitability (McGuire, Sundgren, & Schneeweis, 1988), and the results are less affected by shareholders' influence (Hagel, Brown, & Davison, 2010; Hagel et al., 2013; Liargovas & Skandalis, 2010; Reverte, 2009; Tailab, 2014).

### 8.2.3 Leverage

There are contrasting views about the relationship between financial leverage and CSRR. Some studies report a positive relationship (Fahad & Nideesh, 2020; Chan et al., 2014; Juhmani, 2014; Christopher & Filipovic, 2008; Ma & Zhao, 2009), while others report an insignificant or negative relationship (Brammer & Pavelin, 2008; Inchausti, 1997; Khan et al., 2013; Moore, 2001; Naser & Hassan, 2013; Purushothaman, Tower, Hancock, & Taplin, 2000; Stanny & Ely, 2008) between financial leverage and CSRR. Jensen and Meckling (1976) argue that firms with high financial leverage will provide more voluntary disclosures to mitigate their agency costs and the cost of capital. Moreover, companies are liable to meet creditors' expectations on social and environmental issues and high leverage would influence companies to have a higher extent and quality of CSR and CSRR (Roberts, 1992). Counter to this, some studies suggest that companies with high financial leverage would face high pressure from creditors to pay close attention to the core activities and limit their CSR and CSRR expenditures (Belkaoui & Karpik, 1989; Brammer & Pavelin, 2008; Zheng et al., 2014). Hence, in line with Reverte (2009), the researcher does not take an a priori assumption about the nature of the relationship, and the following hypotheses are proposed:

H<sub>3a</sub>: There is a significant association between financial leverage and the extent of CSRR.

H<sub>3b</sub>: There is a significant association between financial leverage and the quality of CSRR.

To measure financial leverage, proxies such as total debt to total equity (Cho, Chung, & Young, 2019; García-Ayuso & Larrinaga, 2003; Inchausti, 1997), total debt to total assets (Gomes, 2019; Naser & Hassan, 2013; Stanny & Ely, 2008), and long-term liabilities to equity (Kim & Im, 2017; Cormier et al., 2005; Reverte, 2009) have been used. However, Ahmed and Courtis (1999) suggest using any of these measures for financial leverage, as these measures do not make any significant difference in the findings. The current study uses total debt to total equity as a measure of financial leverage. Since the majority of Pakistani corporations can easily access short-term loans and commercial banks do not encourage long-term loans, using only long-term debts in the equation may not provide a fair image of the financial leverage of the Pakistani firms (Raza, 2013).

#### **8.2.4 Audit Firm Size**

Empirical evidence indicates that companies with annual reports which are audited by large audit firms provide a higher extent and quality of CSRR as compared to those audited by small audit firms (Fernández-Feijóo-Souto et al., 2012; Barako, 2007; Inchausti, 1997; Said et al., 2009; Wallace, 1988). Large audit firms with a high reputation and credibility use their clients' information disclosure as a signal of their quality (Inchausti, 1997) and expect their clients to provide a high extent and quality of both financial and non-financial disclosures (Fernández-Feijóo-Souto et al., 2012; DeAngelo, 1981; Inchausti, 1997). However, some studies (Adel et al., 2019; Alsaeed, 2006; Chakroun, Matoussi, & Mbirki, 2017; Naser & Hassan, 2013; Suttipun, 2012) have reported no significant association between audit firm size and CSRR, and hence the findings are mixed and inconclusive. To examine the relationship between audit firm size and CSRR in Pakistan, the following hypotheses are proposed:

H<sub>4b</sub>: There is a significant positive association between audit firm size and the extent of CSRR.

H<sub>4b</sub>: There is a significant positive association between audit firm size and the quality of CSRR.

Consistent with the prior literature (Adel et al., 2019; Sial et al., 2018; Inchausti, 1997; Naser & Hassan, 2013), this study uses a dummy variable for audit firm size allocating "1" to companies audited by one of the "big 4" international audit firms (i.e. KPMG, PricewaterhouseCoopers, Ernst & Young, and Deloitte) or "0" otherwise.

#### **8.2.5 Industry**

Empirical research suggests that CSRR disclosures vary across different industries and the type of industry to which a firm belongs influences CSRR disclosures. It is argued that companies belonging to high profile industries<sup>54</sup> would face higher public pressure and scrutiny, and they would have a greater incentive to portray a good corporate image by disclosing a good extent and high quality of CSRR (Chan et al., 2014; Oliveira, Rodrigues, & Craig, 2006; Roberts, 1992). For instance, companies with operations that affect the natural environment (such as oil exploration, timber, chemical companies, mining, and coal industries) would provide a higher extent and quality of CSRR to

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<sup>54</sup> Industries with more consumer visibility, competition, and higher political and environmental risks are considered as high profile industries (Roberts, 1992; Hackston & Milne, 1996).

legitimize their operations and gain social acceptance (Chan et al., 2014; da Silva Monteiro & Aibar-Guzmán, 2010; Deegan & Gordon, 1996; Hall, 1993; Lu & Abeysekera, 2014; Roberts, 1992). Thus, in line with the CSRR research, it is hypothesized that:

H<sub>5a</sub>: There is a significant association between the type of industry to which a firm belongs and the extent of CSRR.

H<sub>5b</sub>: There is a significant association between the type of industry to which a firm belongs and the quality of CSRR.

Researchers have classified industries as manufacturing versus non-manufacturing (Adel et al., 2019; Bayoud et al., 2012; Hossain et al., 2006; Inchausti, 1997; Shuro & Stainbank, 2014), and high profile versus low profile industries (da Silva Monteiro & Aibar-Guzmán, 2010; García-Ayuso & Larrinaga, 2003; Hackston & Milne, 1996; Roberts, 1992). This study adopts the most commonly used industrial classification approach, high profile versus low profile, and follows the classification<sup>55</sup> of Roberts (1992) and Hackston and Milne (1996) to assign a dummy value of “1” to companies operating in high profile industries and “0” otherwise.

### **8.2.6 Firm Age**

The age of a firm is also documented as an important determinant of CSRR in empirical CSRR research (Sial et al., 2018; Bayoud et al., 2012; Chakroun et al., 2017; Moore, 2001; Muttakin & Khan, 2014; Roberts, 1992; Stanny & Ely, 2008; Suttipun, 2012; Zheng et al., 2014). It is argued that older companies with a longer societal existence tend to strengthen and enhance their legitimacy and reputation through a higher extent and quality of CSRR (Sial et al., 2018; Juhmani, 2014; Menassa & Brodhäcker, 2017; Roberts, 1992). Older companies have comparatively larger stakeholder and social networks and are expected to provide more information disclosures to reach their extended stakeholders (Chunfang, 2009; Juhmani, 2014). However, some studies suggest that the age of a firm has either a negative (Marquis & Qian, 2014) or no influence on CSRR (Abd Rahman, Zain, & Al-Haj, 2011; Parsa & Kouhy, 2008; Uyar, Kilic, & Bayyurt, 2013). The

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<sup>55</sup> For instance, high profile industries include chemical, cement, pharmaceuticals, automobile, textile, glass, engineering, paper and board, fertilizers, power, oil and gas, transport, leather and tanneries and tobacco. Low profile industries consist of food, personal goods, appliances, household goods, sugar and allied and miscellaneous.

following hypotheses are tested to examine the influence of the age of a firm on CSRR practices in Pakistan:

H<sub>6a</sub>: There is an association between the age of a firm and the extent of CSRR.

H<sub>6b</sub>: There is an association between the age of a firm and the quality of CSRR.

Following previous research (Sial et al., 2018; Bayoud et al., 2012; Juhmani, 2014; Moore, 2001; Roberts, 1992; Suttipun, 2012), this study measures a firm's age by the number of years that have passed since its inception.

### **8.2.7 Board Size**

The board of directors is an important element of corporate governance that helps to monitor and control management performance (Collier & Gregory, 1999; Fama & Jensen, 1983; Said et al., 2009). Prior research reveals contrasting results regarding the influence of board size on CSRR. Some studies suggest that companies with bigger boards have effective decision-making, a wider exchange of ideas, and information process capabilities that positively influence voluntary disclosures (Majumder, Akter, & Li, 2017; Alotaibi & Hussainey, 2016; Collier & Gregory, 1999; Esa & Anum Mohd Ghazali, 2012; Haniffa & Hudaib, 2006; Healy & Palepu, 2001). There is a high probability that a bigger board of directors would have a broader representation of different stakeholder groups, who might influence a firm's CSRR practices (Halme & Huse, 1997). Countering these views, some studies argue that a bigger board size may result in disagreements, communication and coordination problems, and less control over the corporate management, all of which might negatively affect information disclosures (Donnelly & Mulcahy, 2008; Jensen, 1993; Raheja, 2005). Several studies also report no significant association between board size and the extent of CSRR (Al-Moataz & Hussainey, 2013; Albassam, 2014; Ho & Williams, 2003; Mangena & Chamisa, 2008).

In light of such mixed and inconclusive empirical evidence, it is important to investigate the relationship between board size and CSRR in Pakistan. Accordingly, the following hypotheses have been proposed:

H<sub>7a</sub>: There is a significant association between board size and the extent of CSRR.

H<sub>7b</sub>: There is a significant association between board size and the quality of CSRR.

The current study uses the number of directors on the board of a company as a measure for board size to test this relationship (Adel et al., 2019; Dienes & Velte, 2016; Kiliç, Kuzey, & Uyar, 2015; Said et al., 2009).

### **8.2.8 Board Independence**

The presence of independent directors in a company is an important aspect of corporate governance (Rosenstein & Wyatt, 1990; Webb, 2004). A higher proportion of independent directors on a board serves to enhance corporate image, comprehensiveness of financial disclosures, and increased transparency and corporate voluntary disclosures (Majumder et al., 2017; Chen & Jaggi, 2000; Forker, 1992; Gul & Leung, 2004). Further, a higher proportion of independent directors on the board helps in improving corporate ethics and better engagement with social and environmental pressures, which ultimately leads to better CSRR practices (Majumder et al., 2017; Alotaibi & Hussainey, 2016; Rose, 2007). Thus, in line with the CSRR literature, the following hypotheses have been proposed in the case of Pakistan:

H<sub>8a</sub>: There is a significant positive association between the proportion of independent directors on a company board and the extent of CSRR.

H<sub>8b</sub>: There is a significant positive association between the proportion of independent directors on a company board and the quality of CSRR.

To examine the relationship between independent directors and the extent of CSRR in Pakistan, this study measures board independence as the proportion of independent directors to the total number of board of directors in a corporation (Karim, Manab, & Ismail, 2020; Pucheta-Martínez et al., 2019; Alotaibi & Hussainey, 2016; Haniffa & Cooke, 2005; Kiliç et al., 2015).

### **8.2.9 Female Directors**

Female representation on the board of directors has also been reported to significantly influence CSRR practices (Pucheta-Martínez et al., 2019; Sanan, 2018; Barako & Brown, 2008; Fernandez-Feijoo, Romero, & Ruiz-Blanco, 2014; Kiliç et al., 2015; Lone et al., 2016; Rao & Tilt, 2016). Researchers suggest that female directors tend to be more generous, sensitive, employ a participative style, and pay more attention to the socio-environmental welfare of society -- attributes which would significantly influence the extent and quality of CSR and CSRR (Sanan, 2018; Majumder et al., 2017; Bear, Rahman, & Post, 2010; Braun, 2010; Coffey & Wang, 1998; Krüger, 2009; Wang & Coffey, 1992).

It has been argued that the relational abilities of women give them an advantage when engaging with extended stakeholders. That is, their aptitude for responding to expectations relating to social and environmental disclosures are traits, which lead to an increased extent of CSRR (Galbreath, 2011). Hence, this study proposes the following hypotheses to examine the influence of female directors on the extent and quality of CSRR practices in Pakistan.

H<sub>9a</sub>: There is a significant positive association between the proportion of female directors on a company board and the extent of CSRR.

H<sub>9b</sub>: There is a significant positive association between the proportion of female directors on a company board and the quality of CSRR.

Consistent with prior studies (Adel et al., 2019; Pucheta-Martínez et al., 2019; Rao & Tilt, 2016; Barako & Brown, 2008), the percentage of female directors on the board of directors is used as a proxy for female directors in the current study.

#### **8.2.10 Foreign Ownership**

A high proportion of foreign ownership in a firm is also expected to affect the extent and quality of CSRR practices. Empirical research suggests that the national and cultural attributes, socio-environmental values, and the legislative expectations of the country in which the parent company and/or foreign owners are based strongly influence CSRR practices (Zainal, 2017; Bichta, 2003; da Silva Monteiro & Aibar-Guzmán, 2010). For instance, Gray et al. (1996) report that the origin of the parent company has a positive influence on the extent of environmental disclosures. It means that the reporting culture, regulations, and legislation of the country of origin are reflected in the subsidiaries' operations and CSRR practices (Gray et al., 1995b; Guthrie & Parker, 1990; Hackston & Milne, 1996). Moneva and Llana (2000) also suggest that companies owned by foreign investors or nationalities would have higher CSRR to fulfill societal expectations and gain stakeholders' approval in the country of operations. Based on the literature, the following hypotheses for foreign ownership and CSRR are proposed:

H<sub>10a</sub>: There is a significant positive association between foreign shareholding/ownership and the extent of CSRR.

H<sub>10b</sub>: There is a significant positive association between foreign shareholding/ownership and the quality of CSRR.

This study uses the percentage of capital owned by foreign companies and shareholders as a proxy to measure foreign ownership of a company (Zainal, 2017; Barako, 2007; Haniffa & Cooke, 2002; Said et al., 2009).

#### **8.2.11 Government Ownership**

State-owned companies are entities in which the government owns the majority of the shares, although some percentage of the shares might be owned by the public (Kenton, 2019). There are two opposing views about the linkage between state ownership and CSRR. Some studies argue that since state-owned companies face more scrutiny by the public and different NGOs, they tend to provide a high extent and quality of information disclosure to ensure transparency and to set an example for privately-owned companies (Zainal, 2017; Alotaibi & Hussainey, 2016; Chakroun et al., 2017; Tagesson et al., 2009). However, the counter argument is that, unlike privately-owned companies, state-owned companies do not have greater incentives or motivations to provide voluntary information disclosures such as CSRR (Dam & Scholtens, 2012; Ferguson et al., 2002). As there are contrasting views in the literature about the influence of state ownership on CSRR, the researcher does not take an a priori assumption about the nature of the relationship, and propose:

H<sub>11a</sub>: There is a significant association between government shareholding/ownership and the extent of CSRR.

H<sub>11b</sub>: There is a significant association between government shareholding/ownership and the quality of CSRR.

Following CSRR studies (Zainal, 2017; Darus et al., 2013; Muttakin & Subramaniam, 2015; Said et al., 2009), the percentage of share capital owned by the state/government in a company is used as a measure of government ownership in the current study.

#### **8.2.12 Family Ownership**

CSRR studies also indicate that type of ownership -- family-ownership versus dispersed ownership -- also influences CSRR practices. Several studies (such as Zainal, 2017; Cabeza-García et al., 2017; Al-Akra & Hutchinson, 2013; Chau & Gray, 2002; Eng & Mak, 2003) report a negative association between family ownership and CSRR, arguing that family-owned firms have easy access to all the information they need and additional disclosures have less extra benefits for them. Having little motivation to disclose extra information that causes additional operating costs, family-owned firms tend to focus only

on the statutory reporting requirements and not on CSRR (Al-Akra & Hutchinson, 2013; Muttakin & Khan, 2014). Hence, it is expected that the higher the proportion of family ownership in a company, the lower the extent and quality of CSRR. To investigate the relationship between family ownership and CSRR in Pakistan, the following hypotheses are proposed:

H<sub>12a</sub>: There is a significant negative association between family ownership and the extent of CSRR.

H<sub>12b</sub>: There is a significant negative association between family ownership and the quality of CSRR.

Consistent with prior studies (Block & Wagner, 2014; Muttakin & Khan, 2014; Syed & Butt, 2017), the percentage of capital owned by an individual family in a company is used as a measure for family ownership in this study.

Based on the hypotheses, the following regression models were constructed to investigate the influence of company attributes on the extent and quality of CSRR.

$$CSRR_{ext_{it}} = \beta_0 + \beta_1 \text{firm\_size}_{it} + \beta_2 \text{leverage}_{it} + \beta_3 \text{Profitability}_{it} + \beta_4 \text{Auditttype}_{it} + \beta_5 \text{Age}_{it} + \beta_6 \text{Industry}_{it} + \beta_7 \text{boardsize} + \beta_7 \text{Ind\_dir}_{it} + \beta_9 \text{wom\_dir}_{it} + \beta_{10} \text{for\_own}_{it} + \beta_{11} \text{fam\_own}_{it} + \beta_{12} \text{govt\_own}_{it} + \epsilon_{it}$$

$$CSRR_{qual_{it}} = \beta_0 + \beta_1 \text{firm\_size}_{it} + \beta_2 \text{leverage}_{it} + \beta_3 \text{Profitability}_{it} + \beta_4 \text{Auditttype}_{it} + \beta_5 \text{Age}_{it} + \beta_6 \text{Industry}_{it} + \beta_7 \text{boardsize} + \beta_7 \text{Ind\_dir}_{it} + \beta_9 \text{wom\_dir}_{it} + \beta_{10} \text{for\_own}_{it} + \beta_{11} \text{fam\_own}_{it} + \beta_{12} \text{govt\_own}_{it} + \epsilon_{it}$$

Table 8.1 presents a summary of the dependent and independent variables and the measures/ proxies used for these variables in the current study:

**Table 8.1: Company Attributes and their Measures**

<b>Dependent variable</b>	
CSRR <sub>extent</sub>	log of CSRR quantity values <sup>56</sup> (as calculated in Chapter 7)
CSRR <sub>quality</sub>	log of CSRR quality values <sup>57</sup> (as calculated in Chapter 7)
<b>Independent variables</b>	
firm-size	log of total assets
leverage	total debt/total assets
profitability	operating profits/net sales
Audit-type	1 if audited by the “big 4” audit firms or 0 otherwise
age	years since the inception of the company
industry	1 if firm belongs to high profile industry or 0 otherwise
board-size	number of directors on the board of directors
ind-dir	the proportion of independent directors on the board of directors
wom-dir	the proportion of female directors on the board of directors
for-own	percentage of capital owned by foreign companies and investors
fam-own	percentage of shares owned by families
govt-own	percentage of share capital owned by the government

To examine the influence of the company attributes on the extent and quality of CSRR practices in Pakistan, the top twenty-five non-financial firms on the KSE 30 index of the PSX from 2015-2019 were selected. As discussed in Chapter 5, PSX is the only stock exchange in Pakistan, and the KSE 30 index consists of the top 30 local and foreign companies belonging to eighteen different industries. The selection of these companies was based on several reasons. First, as the largest companies in Pakistan, these companies are expected to be more likely involved in a variety of CSR activities and disclose a higher extent and quality of CSRR due to easy access to resources, and greater public and media scrutiny. Second, these companies are the best performers in terms of profitability in their respective industries making them the market leaders of the Pakistani economy. The corporate behavior (including CSRR) of these companies might serve as a benchmark for the smaller firms. Hence, the sample firms belonging to a wide range of industries best represent the PSX and provide better insights into the relationship between company

<sup>56</sup> As discussed in Chapter 5 and 7, the extent of CSRR is measured by taking the log values of the total number of CSRR sentences disclosed by each company.

<sup>57</sup> The quality of CSRR is measured by taking the log values of the total quality scores by each company (see Chapter 5 and 7 for a detailed discussion).

attributes and the extent and quality of CSRR. It is important to note that the KSE 30 index is re-composed on a semi-annual basis, and therefore, some companies were added and others were dropped from the KSE 30 index during the study period i.e 2015-19. Hence, the top twenty-five companies evaluated in this study have also changed during the period of the study. However, the objective is to get an overall picture of CSRR in Pakistan, and not to track the CSRR performance of any individual company, and thus the top twenty-five companies each year from 2015-19 were analyzed.

### **8.3 Analysis of the Data**

The research applies two commonly used statistical techniques -- correlation and multiple regression analysis -- to examine and analyze the association between corporate attributes and the extent and quality of CSRR practices in Pakistan. The use of these statistical analysis techniques in the current study is in line with extant information disclosure studies (see, for instance, Al-Drugi & Abdo, 2012; Barako, 2007; Brammer & Pavelin, 2008; Murray et al., 2006).

Before analyzing the data, tests for heteroscedasticity and multicollinearity were performed. Multicollinearity occurs when the independent variables in the model are linearly related which causes several issues such as high  $R^2$  values but insignificant t-ratios, wider confidence intervals, and large standard errors, to name a few (Gujarati & Porter, 1999). To diagnose the issue of multicollinearity, two detection methods, the correlation matrix and the Variance Inflation Factor (VIF) were used (Mansfield & Helms, 1982). The correlation matrix indicated that the independent variables were not highly correlated as all the correlation coefficients are below 0.5 (see Appendix 10). Similarly, none of the VIF values exceeded the conventional threshold value of 10, meaning that no multicollinearity was detected between the variables (see appendix 11).

The problem of heteroscedasticity arises when the variance of the error term is not constant over observations, making the least square results inefficient and misleading (Caudill & Ford, 1993; Coenders & Saez, 2000; Hayes & Cai, 2007). The Breusch-Pagan test was used in this study to diagnose the issue of heteroscedasticity in the data. The findings of the diagnostic test indicated the presence of heteroscedasticity in the error terms. To deal with heteroscedasticity, the researcher employed White's Heteroskedastic-consistent standard errors (Robust Standard Errors) which relaxes the assumptions and

reduces the effects of heteroscedasticity on inference (Gujarati & Porter, 1999; Hayes & Cai, 2007).

### 8.3.1 Correlation Analysis

Correlation analysis is a statistical measure to determine the association and direction of the association between two or more variables (Asuero, Sayago, & Gonzalez, 2006; Franzese & Iuliano, 2018; Shapiro, 2011). This study uses the Pearson Correlation technique which has been used by many researchers to evaluate the association between company attributes and CSRR (Al-Drugi & Abdo, 2012; Alotaibi & Hussainey, 2016; Barako, 2007; Mukhtar, 2016; Murray et al., 2006). The findings of the Pearson Correlation are presented in Table 8.2:

**Table 8.2: Pearson Correlation Analysis**

	CSRR <sub>extent</sub>		CSRR <sub>quality</sub>	
	Correlation Coefficient (r)	P> t	Correlation Coefficient (r)	P> t
Size	0.39	0.000***	0.40	0.000***
Profitability	0.10	0.249	0.110	0.219
Leverage	-0.12	0.165	-0.08	0.341
Audit	0.08	0.352	0.19	0.027**
Industry	0.49	0.000***	0.69	0.000***
Age	-0.25	0.005**	-0.16	0.07**
Boardsize	0.28	0.001***	0.37	0.000***
IndDirectors	-0.03	0.711	-0.13	0.135
WomDirectors	0.21	0.016**	0.13	0.138
ForeignOwnership	-0.05	0.533	-0.24	0.005***
FamilyOwnership	0.04	0.067*	0.16	0.147
GovtOwnership	-0.13	0.132	-0.08	0.374

Table 8.2 presents the correlation coefficient and the p-values of the company attributes. The Pearson Correlation p-value indicates the significance or insignificance of the association, while the correlation coefficient (r) provides the degree or strength and direction of association (Taylor, 1990). The *p-values* and *r-values* in Table 8.1 suggest that the company attributes including the size of the firm, age, industry type, the board size, female directors, and family ownership are significantly correlated with the extent of CSRR in Pakistan. Hence, hypotheses 1a, 5a, 6a, 7a, 9a, and 12a are supported in line with the findings of the Pearson Correlation analysis. However, company attributes such as profitability, leverage, audit type, independent directors, foreign ownership, and

government ownership were not significantly correlated with the extent of CSRR in the case of Pakistan. Thus, the researcher fail to accept hypotheses 2a, 3a, 4a, 8a, 10a, and 11a, based on the Pearson Correlation analysis. Similarly, with respect to the quality of CSRR, firm size, audit firm size, industry type, age, board size, and foreign ownership was found to significantly influence the quality of CSRR in Pakistan. Comparatively, the influence of profitability, leverage, independent directors, female directors, family ownership, and government ownership on the quality of CSRR was insignificant.

In the next step, regression analysis is used to determine how much of an influence do the company attributes exert on the extent and quality of CSRR.

### 8.3.2 Multiple Regression Analysis

The regression analysis technique is one of the widely used methods to examine the influence of company attributes on CSRR (Brammer & Pavelin, 2008; Gamerschlag et al., 2011; García-Ayuso & Larrinaga, 2003; Inchausti, 1997; Roberts, 1992; Stanny & Ely, 2008). In line with the extant literature, this study also uses the multiple regression analysis technique to determine the influence of company attributes on the extent and quality of CSRR in Pakistan. The findings from the regression analysis are presented in Table 8.3 as follows.

**Table 8.3: Regression Results**

	CSRR <sub>extent</sub>			CSRR <sub>quality</sub>		
	Coefficient	t-ratio	P> t	Coefficient	t-ratio	P> t
Size	0.292	1.77	0.08*	0.200	3.34	0.001***
Profit	0.776	1.07	0.293	0.051	0.67	0.505
Leverage	-0.0002	-0.08	0.940	-0.001	-0.85	0.394
Audit	0.259	-1.32	0.194	0.075	1.03	0.304
Industry	0.411	2.87	0.007***	0.281	3.77	0.000***
Age	-0.004	-0.27	0.787	-0.0002	-0.22	0.825
Boardsize	0.047	2.46	0.019**	0.008	1.76	0.078*
IndDirectors	-0.005	-1.58	0.122	-0.015	-0.25	0.806
WomDirectors	0.002	0.57	0.570	0.204	1.64	0.101
ForeignOwnership	0.015	0.11	0.909	0.051	0.75	0.455
FamilyOwnership	0.192	1.80	0.080*	0.171	1.18	0.238
GovtOwnership	-0.011	-1.83	0.075*	-0.005	-2.15	0.032**
Const.	1.67	2.14	0.034**	2.40	3.64	0.000***

\*\*\*the relationship is significant at the 0.01 level

\*\*the relationship is significant at the 0.05 level

\*the relationship is significant at the 0.1 level

## 8.4 Discussion and Interpretation

This section discusses the results of the panel regression. The p-values in Table 8.3 indicate the significance of the association between company attributes and the extent and quality of CSRR, whilst coefficient values suggest how much of a change a one-unit change in the company attributes (independent variables) would bring in the extent and quality of CSRR in Pakistan (dependent variables).

Consistent with the results of prior CSRR studies (Adel et al., 2019; Sulaiman, Abdullah, & Fatima, 2014; Latridis, 2013; Haniffa & Cooke, 2005; Inchausti, 1997; Martin & Hadley, 2008; Naser & Hassan, 2013; Roberts, 1992; Zheng et al., 2014), the findings of the regression analysis report a significant positive association between firm size and the extent and quality of CSRR ( $p < 0.1$ ) in Pakistan. This indicates that bigger firms in Pakistan provide a greater extent and higher quality of CSRR as compared to the smaller firms. In line with studies by Cowen et al. (1987) and Udayasankar (2008) in other contexts, this study contends that bigger firms in Pakistan face comparatively high public visibility and scrutiny, have more financial and human resources, and lower reporting costs, factors that lead to a greater extent and higher quality of CSRR to legitimize their operations and gain public acceptance. Consistent with Majeed et al. (2015), this study finds that larger firms have more shareholders requiring transparency of CSR programs and thus these larger firms are compelled to engage with CSRR to a greater extent and a higher quality. A corporate manager in a smaller firm observed that firm size has a positive influence on CSRR practices:

CSRR needs resources and driving forces, for instance, we do provide information in our capacity but it never comes without costs, instead of spending our resources (time, money, and workforce) on providing non-mandatory information, we feel it more important to be allocated to our operations. Besides, we are not that big, we do not feel any pressure to have more CSRR either. (CM4)

For the profitability variable, the findings in Table 8.3 indicate a non-significant positive relationship between profitability and the extent and quality of CSRR ( $p > 0.1$ ). Hence, hypotheses 2a and 2b, which had proposed a significant positive association between profitability and the extent and quality of CSRR respectively, are rejected. These results are consistent with other CSRR studies (Abd Rahman et al., 2011; Ghazali, 2007; Reverte, 2009; Siregar & Bachtiar, 2010). However, the non-significant findings in an Islamic country like Pakistan are somewhat surprising as Islam has strict directions for the

wealthy and for corporations to look out for the underprivileged in society so as to discharge accountability. Narrated from Ibn e Abbas (RA), the Holy Prophet Muhammad (PBUH) said:

He is not a believer whose stomach is filled while the neighbor to his side goes hungry. (Al-Bukhari)

The insignificant association between profitability and CSRR practices can be explained by two contrasting explanations. The first is that Pakistani corporations are minimally influenced by religious sentiments in their business decisions, a view expressed by stakeholder respondents in this study. Thus, despite strict religious prescriptions, the profitability of a firm does not significantly influence CSR and CSRR practices. The counter explanation to this is that Pakistani corporations refrain from showing off their CSR activities in the form of CSRR, as the advertisement of good deeds is prohibited in Islam (Al-Quran, 2:264). In both cases, however, there is an obvious difference between what the stakeholders believed about profitable firms and what has been empirically established. For instance, a social activist stated:

...as compared to the struggling corporations, profitable corporations have more resources to involve [themselves] in CSR and to afford to disclose about it, and if you look around you will find them (the profitable firms) the leaders in CSR and CSRR. (SA4)

A third possible explanation for the non-significant positive relationship between profitability and the extent and quality of CSRR is that businesses in Pakistan have recently suffered a range of unexpected catastrophes (terrorism, floods, and earthquakes). In the wake of these calamities, corporations may be more focused on shareholder wealth creation rather than investing in CSRR which is costly and which has no direct benefits for shareholders.

In the case of financial leverage, hypotheses 3a and 3b, which proposed a significant relationship between financial leverage and the extent and quality of CSRR in Pakistan respectively, are rejected. This study found that the level of financial leverage does not influence the extent and quality of CSRR in Pakistan, which is consistent with Tufail et al. (2017) who had also documented an insignificant relationship between financial leverage and CSRR practices in Pakistan. Although statistically insignificant, the negative sign of the relationship could be explained in the following ways. Companies with high debt ratios focus more on their core corporate functions to pay off their creditors rather than incurring extra costs from voluntary activities such as CSR and CSRR. Indeed,

commercial banks might feel reluctant to lend to corporations with greater non-mandatory costs such as CSR and CSRR, and thus corporations limit their CSR and CSRR to easily access finances from the banks. Finally, the low awareness level of CSRR in Pakistan might also explain this insignificant negative relationship as creditors are minimally concerned about CSRR, and do not put pressure on corporations to have a higher extent and quality of CSRR. One of the interviewees pointed out:

A majority of the firms I have worked for don't look into what discretionary corporate reports are published, all that was expected was to get our principal amount and interest paid as per the agreement. The managers would rather be more interested to generate cash to pay off their debts and interest amounts than showing their "hypocrite good image" to the creditors who are even not bothered by it (CSRR) anyway. (Acc2)

These results are consistent with some of the aforementioned studies (Moore, 2001; Naser & Hassan, 2013; Reverte, 2009; Stanny & Ely, 2008; Tufail et al., 2017) which have documented a non-significant negative association between financial leverage and CSRR practices in other contexts.

Similarly, audit firm size (audit type) was another non-significant company attribute indicated by the findings of the regression analysis with p-values of 0.194 and 0.304 for the extent and quality of CSRR respectively. Being audited by one of the "big 4" audit firms does not significantly influence the extent and quality of CSRR in Pakistan, which is consistent with some of the extant CSRR studies in other developing countries (see, for instance, Alsaeed, 2006; Chakroun et al., 2017; Naser & Hassan, 2013; Suttipun, 2012). These findings are unsurprising in Pakistan where the institutional setting does not provide audit firms the incentives to deliver high-quality auditing practices, and auditor-client economic bonding typically leads to opportunistic behavior rather than concerns about voluntary activities such as CSR and CSRR (Abid, Shaique, & Anwar ul Haq, 2018). As a result, big audit firms restrict themselves to mandatory financial disclosures and do not significantly influence the extent and quality of CSRR in Pakistan. This was also explained by an auditor in the interview, who mentioned:

I have experience of working with one of the big four firms, all we were required was to check for manipulations and appropriations in the financial information. Non-financial information was like a check-box (formality), and in a country like Pakistan with not-so-transparent auditing practices, our role as auditors to influence corporations to have more non-financial reporting will still need a few more decades. (Aud3)

As shown in Table 8.3, the p-values (0.78 and 0.82) for the age of the firm indicate a non-significant negative relationship between the age of a firm and the extent and quality of CSRR in Pakistan. Although insignificant, the negative association could be explained under the concept of legitimacy, as younger firms have stronger incentives to disclose a greater extent and higher quality of CSRR to legitimize themselves, and to develop, and improve their corporate image in society (Marquis & Qian, 2014). Comparatively, older firms with their already developed structures and ideologies, and well-established stakeholder networks have less reason to influence their stakeholders by disclosing a high level of CSRR. Another reason may lie in the technicality of adopting CSRR, as according to Marquis and Qian (2014), older firms face greater difficulty in adopting newly emerging business concepts, and a concept like CSRR may not be seen by long-established firms in Pakistan as easy or even necessary to engage with. As one corporate manager from a reputable firm explained, cost-cutting and competitiveness take priority over CSRR:

...we are there for long in the business, and we aim to cut costs to be more competitive, which helps us to retain our customers, creditors, and investors and stay in the game. The story would be different if we were new to the market (CM:2).

The results from the regression analysis also confirm that the type of industry to which a firm belongs has a strong influence on the extent and quality of CSRR in Pakistan. In other words, firms belonging to socio-environmentally sensitive industries (such as oil and gas, leather, chemicals, and pharmaceuticals) tend to disclose a greater extent and higher quality of CSRR as compared to those operating in less sensitive industries. These results are consistent with the previous studies (Ali, 2014; Chan et al., 2014; Deegan & Gordon, 1996; Lu & Abeysekera, 2014; Roberts, 1992), who reported that environmentally sensitive companies have a higher extent of CSRR to divert public and regulatory attention. The contextual reality of Pakistan explains this relationship as the rising population (220 million) and extreme poverty (almost 40% population below the poverty line) worsen the health effects of industrial pollution (discussed in chapter 2). In this case, environment-polluting companies would tend to provide a higher extent and quality of CSRR to highlight the socio-environmental contributions that might help them to balance out their negative environmental impacts.

The Islamic viewpoint also provides a logical reason why corporations in environmentally-sensitive industries tend to provide a greater extent and higher quality of CSRR. As mentioned in the Holy Quran, “Allah (SWT) allows mankind to use the good things He has provided (5:88), but should not abuse the resources”. If any abuse (such as harm or pollution) takes place, the guilty party must clean up afterward or remove the cause of the problem (Beekun & Badawi, 2005). In this case, industrial production, which causes pollution, is impossible to stop so corporations are effectively obliged to undertake compensatory measures that match the degree of damage inflicted. Corporations involved in ‘dirty’ operations or environmentally sensitive industries would, in this framework, be compelled to offer more compensation by engaging in more CSR and CSRR than other corporations.

The findings suggest some mixed results concerning the specific attributes of a company’s board composition. Board size was revealed to be statistically significant ( $p$ -values  $<0.1$ ), a finding which is consistent with prior literature (Majumder, Akter, & Li, 2017; Alotaibi & Hussainey, 2016; Bae, Masud, Kaium, & Kim, 2018; Majeed et al., 2015; Suttipun, 2012). It can be argued that Pakistani corporations with a bigger board of directors are more likely to have members from extended stakeholder groups with more ideas, knowledge, and incentives to influence the extent and quality of CSRR practices. Moreover, the board of directors might use CSRR as a mechanism for portraying themselves as socially responsible, and thus corporations with more board members would have a greater extent and higher quality of CSRR.

In contrast, the findings of this study indicate that independent and female directors ( $p>0.1$ ) do not significantly influence the extent and quality of CSRR in Pakistan. The cultural norms, values, and traditions of Pakistani society might explain the insignificant influence of female directors on the CSRR practices in Pakistan. Operating in a patriarchal society, the corporate sector of Pakistan has a very low ratio of women as directors or managers (Majeed et al., 2015). Generally, women in Pakistan lack sufficient representation to influence business decisions and corporate activities. Thus, unlike some other studies (Fernandez-Feijoo, Romero, & Ruiz, 2012; Haniffa & Cooke, 2005; Rao & Tilt, 2016), the findings of this study suggest that female directors do not significantly influence CSRR practices in the Pakistani corporate sector. Indeed, another Pakistani study (Majeed et al., 2015) also reported an insignificant association between female participation on the board of directors and the extent of CSRR. Similarly, the  $p$ -values in

the case of independent directors as shown in Table 8.3 (0.12 and 0.80 for the extent and quality of CSRR respectively) indicates that hypothesis 8a and 8b should be rejected as no statistically significant association could be established between the proportion of independent directors and the extent and quality of CSRR in Pakistan. In line with Majeed et al. (2015), the insignificant association can be explained by the fact that independent directors in Pakistan are not highly committed to discretionary activities such as CSR and CSRR. Independent directors in Pakistan are motivated primarily by the philosophy of shareholder wealth maximization and are focused more on financial performance and mandatory reporting. Hence, the number of independent directors in a company does not affect the extent and quality of voluntary information such as CSRR.

Finally, Table 8.3 indicates a statistically significant negative influence of government ownership ( $p$ -values $<0.1$ ), and a non-significant positive influence of foreign ownership ( $p$ -values $>0.1$ ) on the extent and quality of CSRR in Pakistan. The negative impact of government-owned companies on the extent and quality of CSRR is not particularly surprising in the Pakistani context. Corruption is rife in Pakistan (ranking 120 out of 180 countries), and government-owned companies which have strong backing from bureaucrats and corrupt politicians have less incentive to disclose voluntary activities such as CSRR -- legitimacy threats that normally compel corporations to be transparent are simply less of an issue. As Samaha and Dahawy (2010) argue, government-owned companies in developing countries tend to disclose less information to protect their stronger political connections. Moreover, government-owned companies in Pakistan still follow traditional and old-fashioned corporate approaches, and relatively new concepts like CSR and CSRR have yet to resonate. The results in Pakistan are inconsistent with the majority of CSRR studies conducted in the developing countries (Al Fadli, Sands, Jones, Beattie, & Pensiero, 2019; Alotaibi & Hussainey, 2016; Chakroun et al., 2017; Xu & Zeng, 2016). However, the discrepant results infer that the relationship between government ownership and CSRR levels may vary from country to country, and it will be shaped by the socio-political and economic realities of the given context of each study. Although the results of this study do go against the trend of most CSRR studies, some studies have also documented a negative association between government ownership and the extent of CSRR (Dam & Scholtens, 2012; Ferguson et al., 2002).

The findings suggest a significantly positive association between family ownership and the extent of CSRR, whereas no significant relationship between family ownership and

quality of CSRR could be established. There are two possible explanations for the first finding. As argued by Syed and Butt (2017), family-owned companies in Pakistan are more concerned with creating an image of their families as socially responsible. To achieve this, they disclose a high amount of CSRR to legitimize their identity and gain social acceptance. A second explanation lies in the cultural norms and values of Pakistani society, which is governed by the teachings of kindness, caring, and brotherhood. It can be argued that companies which are largely owned by a family are more community conscious, have greater concerns for the natural environment around them, and hence gravitate towards higher levels of CSR and CSRR. According to one CEO of a family-owned business:

Yes, there are other reasons too, but the main motivation is in the Hadith as Muhammad (PBUH) said, we are all shepherds and we are all responsible for those who are under our hands. I think we are answerable in our capacity for the people, the environment, and all the living creatures around us and that keeps our CSR program moving. We report about our CSR not to be praised but to be accountable and transparent about whatever we do in society (CEO1).

Although family-owned companies provide greater amounts of CSRR, it should be noted that the quality of CSRR from these companies is not statistically different from companies that have a different ownership structure.

The most surprising finding was the lack of a significant association between foreign ownership and the extent and quality of CSRR in Pakistan. A reason for this may be that foreign-owned companies hire local management and employees in Pakistan, who tend to be influenced by the Pakistani corporate culture, local environment, and business practices. Hence, despite being under foreign ownership, the corporation remains under the influence of local regulations and philosophies, wherein CSRR is still a fledgling concept. The findings of this study are not novel as several CSRR studies conducted in other developing contexts (da Silva Monteiro & Aibar-Guzmán, 2010; Hossain et al., 2006; Said et al., 2009; Siregar & Bachtiar, 2010; Suttipun, 2012) also reported an insignificant association between foreign ownership and CSRR practices.

**Table 8.4: Summary of the Findings**

<b>Company Attribute</b>	<b>CSRR<sub>extent</sub></b>	<b>CSRR<sub>quality</sub></b>
Size	Significant (+ve)	Significant (+ve)
Profit	Insignificant (+ve)	Insignificant (+ve)
Leverage	Insignificant (-ve)	Insignificant (-ve)
Audit	Insignificant (-ve)	Insignificant (-ve)
Industry	Significant (+ve)	Significant (+ve)
Age	Insignificant (-ve)	Insignificant (-ve)
Board Size	Significant (+ve)	Significant (+ve)
Independent Directors	Insignificant (-ve)	Insignificant (-ve)
Female Directors	Insignificant (+ve)	Insignificant (+ve)
Foreign Ownership	Insignificant (+ve)	Insignificant (+ve)
Family Ownership	Significant (+ve)	Insignificant (+ve)
Government Ownership	Significant (-ve)	Significant (-ve)

## 8.5 Conclusion

This chapter examined the influence of twelve company attributes on the extent and quality of CSRR practices in Pakistan. The company attributes included firm size, leverage, profitability, age, audit type, industry, board size, independent directors, female directors, family ownership, foreign ownership, and government ownership. The rationale for examining these company attributes and proxies to measure them were discussed. Currently, CSRR research on the influence of company attributes on the extent and quality of CSRR provides mixed and inconclusive results. This study sought to provide a piece of empirical evidence from an Islamic developing country, Pakistan.

Before using the correlation and regression models, tests for heteroscedasticity and multicollinearity in the data were performed. The Breusch-Pagan test for heteroscedasticity indicated the issue of heteroscedasticity in the data. To correct the problem, White's Heteroskedastic-consistent standard errors (Robust Standard Errors) were used to relax the assumptions and to reduce the effects of heteroscedasticity on the inference. Moreover, the correlation matrix and VIF confirmed the absence of multicollinearity in the variables. The Pearson Correlation and multiple regression analysis were performed to test the hypotheses. The results revealed that company attributes such as firm size, industry, board size, and family ownership have a significant positive influence on the extent and quality of CSRR in Pakistan. However, the government ownership variable was found to negatively affect CSRR practices in Pakistan. Finally, no significant association was

found between CSRR levels in Pakistan and the firm's profitability, leverage, audit type, age, the proportion of independent and female directors, and foreign ownership.

The next chapter integrates and discusses the findings from chapters 6, 7, and 8 in light of the theoretical framework developed in this study.

## **Chapter Nine**

### **Theoretical Interpretations of the Findings**

#### **9.1 Introduction**

This chapter discusses the theoretical implications of the current study in relation to the development of the CSRR index, the findings of the content analysis, and the outcome of the hypotheses testing. Following Gray et al. (2010) who emphasized the importance of a theory or theories to explain CSRR practices, this study uses a multi-theoretical framework (including stakeholder, legitimacy, signaling, institutional, and agency theories) to interpret the findings of the thesis. These theories are overlapping and share common characteristics (An et al., 2011; Chen & Roberts, 2010), and thus the integrated theoretical approach provides a more holistic and in-depth understanding of the CSRR practices in Pakistan.

The chapter is divided into the following sections. Section 9.2 presents the theoretical implications of each of the five theories for the CSRR practices in Pakistan. This section details whether the main features of the theories as discussed in Chapter 4 are reflected in the CSRR practices of the Pakistani corporate sector. This is followed by a discussion on the nexus between the five theories before explaining the core concepts emerging from the CSRR practices in Pakistan in section 9.3. Section 9.4 concludes the chapter.

#### **9.2 The Theoretical Implications of CSRR Practices in Pakistan**

This section revisits the core concepts of the theories and discusses the findings through the theoretical lens adopted in the study.

##### **9.2.1 Stakeholder Theory and CSRR in Pakistan**

Stakeholder theory posits that organizations should discharge accountability to all the individuals or groups who can influence or be influenced by the output of an organization (Alkhafaji, 1989; Freeman, 1984). As corporate operations directly influence the society and environment, they are expected to fulfil their socio-environmental responsibilities and disclose their efforts (Enquist et al., 2006) to ensure accountability and transparency to the wider stakeholder groups. Stakeholder theory suggests that corporations either use

CSR and CSRR for instrumental purposes to enhance their financial performance or are influenced by the normative intent of morality and ethics (Amaeshi & Adi, 2007).

This study develops a CSRR index (Chapter 6) in alignment with stakeholder theory. It draws from stakeholder theory to incorporate the information needs of eight stakeholder groups: corporate managers, employees, investors, customers, accountants and auditors, academicians, regulators, and religious clerics in designing a CSRR index for Pakistan. The stakeholder groups consulted in this study expressed their differences in priorities and expectations by allocating different weights to the CSRR items and categories in the CSRR index. For instance, the corporate managers deemed product-related items to be the most important while the religious scholars considered community-related CSRR to be of higher significance. Comparatively, the academicians assigned more weight to items in the employee and environment dimensions whereas the regulators and employees considered community and employee-related CSRR more important. The CSRR index, formulated as a result of input by these various stakeholder groups, is representative of the criteria and priorities they uphold. Arguably, then, this CSRR index serves as a valid tool to evaluate the accountability and transparency of the CSRR practices of Pakistani corporations because it reflects the interests of a wider group of stakeholders beyond just shareholders.

The findings of the content analysis (Chapter 7) indicate that Pakistani corporations focus more on their product-related CSRR information than on issues relating to the community, the environment, and employee welfare. The bulk of the information disclosed in the annual reports of the Pakistani firms catered to the information needs of powerful stakeholders such as shareholders, investors, and customers. The focus on product-related CSRR to satisfy the information needs of crucial stakeholders suggests that the managerial (positive) branch of stakeholder theory is a better framework for explaining CSRR practices in Pakistan. According to the managerial branch, corporations attempt to meet the expectations of the critical stakeholders who control access to important resources used by organizations (Deegan, 2002; O'Dwyer, 2002a). The other branch of stakeholder theory, which involves equal treatment of every stakeholder group, fits poorly with the limited attention Pakistani corporations have given to other CSRR dimensions, such as employee welfare, and energy and environmental conservation.

The skewed emphasis Pakistani corporations have shown towards product-related disclosures and CSR awards and certifications reveals the marketing capabilities of CSRR.

More fundamentally, it exposes how CSRR in Pakistan is primarily used to enhance corporate image and to maximize the firm's value. Put simply, CSRR in Pakistan focuses on instrumental motives, which according to McWilliams and Siegel (2001), prioritizes wealth creation strategies such as product development, packaging, designing, labeling, and product quality and safety over other socio-environmental dimensions to maximize value for shareholders.

Stakeholder theory also helps to explain the factors that influence CSRR practices in Pakistan (Chapter 8). The positive association between firm size and CSRR practices in Pakistan aligns with a key tenet of stakeholder theory: bigger firms have wider stakeholder groups, which leads to higher expectations of transparency and accountability. To fulfil the information expectations of their extended stakeholders, the relatively larger Pakistani corporations provide a greater extent and higher quality of CSRR compared to smaller firms. Similarly, stakeholder theory suggests that companies with a bigger board size would have a broader representation of different stakeholder groups which again leads to higher levels of CSRR, both in terms of quantity and quality. Consistent with this notion of stakeholder theory, the findings of the regression analysis indicate a positive association between board size and the extent and quality of CSRR in Pakistan.

### **9.2.2 Legitimacy Theory and CSRR in Pakistan**

Legitimacy theory explains the relationship between an organization and the overall society (Chen & Roberts, 2010) and suggests the existence of a social contract between society and the organization (Deegan, 2002; Reverte, 2009; Shocker & Sethi, 1974). Corporations face legitimacy threats if they are not abiding by the social contract, which might lead to a legitimacy gap (Deegan, 2002). Engaging in CSRR helps to legitimize corporate operations and reduces the legitimacy gap (De Villiers & Van Staden, 2006; Gray et al., 1995b; Lindblom, 1994).

The majority of the Pakistani stakeholders interviewed in the CSRR index development phase expected corporations to legitimize their actions and abide by the implicit social contract just described. In particular, regulators, religious scholars, and academicians emphasized the significance of organizational legitimacy for corporate survival and cited several global examples (such as Enron, Shell) where corporate legitimacy was threatened as a result of a misalignment between corporate actions and the terms of the implicit social contract. As discussed by a CSRR academician:

Corporations and society are bound by a social contract, which requires them (corporations) to provide socio-economic benefits to the society to survive in the society, otherwise, they might be forced to quit their operations. (Acad3)

The academicians and religious clerics considered religion as an influential legitimizing institution. Indeed, CSRR items that involved religious prescriptions, such as Zakat, the halal status of products, and prayer breaks, received the highest weights in the CSRR index. These stakeholder groups believed that embedding religious prescriptions in CSRR policies would ensure their legitimacy in Pakistan. As one stakeholder commented:

You cannot take religion out of the equation; it is a strong and foundational factor in Pakistani society. Look at the religiously charged sentiments against Shezan, OCS, etc. As a business, we have to work in the parameters of the norms and values set by the religion, otherwise, your survival might be challenged. (CM3)

However, despite the strong influence of religion in Pakistani society, a majority of the Pakistani stakeholders were pessimistic about its place in Pakistani corporate practices and its influence on CSRR in Pakistan. The stakeholders saw CSRR primarily as an image-enhancing exercise, rather than an attempt by corporations to legitimize themselves. A social activist said:

Pakistani corporations in their CSRR only highlight activities that show them as good to hide their negative impacts on the society and environment, and even ill corporate activities do not challenge their existence and survival in a poor and populous country like Pakistan (SA5).

The findings of the content analysis revealed that contrary to the high priority stakeholders had accorded to CSRR items such as Zakat, Halal status of products, and prayer breaks, these items, based on the quantity and quality of disclosures relating to them, received minimal corporate attention. For instance, as discussed in Chapter 7, the Pakistani corporations used very generic statements to discuss Zakat and were mostly repetitive in the annual reports from 2015-2019. Findings such as this strengthen the view by stakeholders that even strong legitimizing institutions such as religion do not pose any significant legitimacy threats to the corporate sector in Pakistan. Hence, the notion of religion as a CSRR legitimizing institution is questionable, at least in the Pakistani context. Moreover, the generally low levels of CSRR in Pakistan, both in terms of quantity and quality, also suggest that apart from normative institutions such as religion, Pakistani corporations face lower legitimacy threats from regulators and stakeholders. That is, minimal pressure and scrutiny from regulators and stakeholders mean that the ongoing need to legitimize one's existence and operations is less of an issue for Pakistani

corporations. This leads to lower levels of CSRR, given that higher levels emerge when legitimacy threats are greater (Vourvachis, Woodward, Woodward, & Patten, 2016).

Although the majority of the sample firms highlighted the significance of CSR in their mission, vision, and other important policy statements, the actual disclosures that were made in the annual reports were generally low, in terms of both the quantity and quality of CSRR information provided. The discrepancy between corporate claims and actual evidence of CSR initiatives substantiates the idea that CSRR in Pakistan is used for image-enhancing purposes. In short, greater priority is given to looking socially responsible rather than being socially responsible. This view of CSRR in Pakistan was also expressed by an environmentalist in the following way:

Unfortunately, there is a misalignment between what corporations claim and what they do in reality. For instance, they tend to be more social and caring about the environment with different environmental policies and strategies; however, this is more in their books and not in practice. (Env1)

The mismatch between corporate claims and actual CSRR practices suggests that CSRR in Pakistan is predominantly used to achieve symbolic legitimacy<sup>58</sup> rather than substantive legitimacy, which, according to Richardson (1985), means that firms may claim to be socially responsible, but these claims are not backed by any substantive efforts to improve sustainability.

Further, the higher extent and quality of disclosures on the customers' related CSRR items such as product development, packaging and labeling, customer services, and CSR awards and certifications reinforce that CSRR in Pakistan is used as a PR exercise to improve corporate image, reputation, and gain competitive advantage rather than to ensure transparency and accountability and to legitimize their existence in the society.

Legitimacy theory posits that large firms, being highly visible to the public and regulators, would need to provide more CSRR to legitimize their business operations in society (Cowen et al., 1987; Dierkes & Coppock, 1978; Udayasankar, 2008). Larger corporations have greater incentives -- linked to reputational and image-enhancing objectives -- to disclose greater amounts of CSRR (Hooghiemstra, 2000). Consistent with the extant literature (Barako, 2007; Inchausti, 1997; Maria da Conceição & Rodrigues, 2019; Moore,

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<sup>58</sup> Substantive legitimacy, on the other hand, means that corporations perform concrete and verifiable activities which have a positive impact on their sustainability.

2001; Naser & Hassan, 2013), the results from the correlation and regression analysis in this study also show a significant positive association between firm size and the amount of CSRR provided, supporting the proposition forwarded by legitimacy theory. However, as discussed previously, this positive association may be driven by reputational and image-enhancing incentives rather than the need of corporations to legitimize their operations and ensure their survival in society.

The positive association between the type of industry and the extent of CSRR in Pakistan aligns well with the legitimacy theory. According to legitimacy theory, companies in environmentally sensitive industries have greater incentives to present images of themselves as socially responsible compared to companies from less sensitive industries (Lindblom, 1994). The statistically significant positive influence of industry type on the extent of CSRR confirms that environmentally sensitive industries<sup>59</sup> in Pakistan have a greater need to build a socially responsible image, and thus engage in higher levels of CSRR than industries with low environmental impacts. Legitimacy theory also explains the negative relationship between firm age and CSRR in Pakistan. Younger, less established firms have a greater need to create a good corporate image and reputation (Marquis & Qian, 2014) and thus, they would engage in greater levels of CSRR compared to older firms, which are already well established. The inverse relationship between firm age and CSRR practices in Pakistan provides a clear illustration of this proposition from legitimacy theory.

### **9.2.3 Signaling Theory and CSRR in Pakistan**

Signaling theory holds that CSRR is an important signaling tool used by a corporation to communicate social responsiveness to a variety of stakeholder groups (Ching & Gerab, 2017; Hetze, 2016; Lock & Seele, 2015; Mahoney, 2012) and helps to reduce the information gap with stakeholders in society. This theoretical lens sees CSRR as a mechanism to ensure transparency and accountability to stakeholders and to legitimize corporate operations (Su et al., 2016).

Consistent with the notion of signaling theory that the receiver of signals plays an important role in the success of the signaling process, this study foregrounds the perspectives of Pakistani stakeholders who are effectively the receivers of the signals generated by Pakistani corporations when they engage in CSRR. According to Connelly

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<sup>59</sup> Such as oil and gas, cement, fertilizers and chemicals, and food and personal care industries

et al. (2011), the efficiency of the signaling process to reduce information asymmetry partly depends on receivers' awareness and attention to the signals. Furthermore, the signaling process will not work if the receivers are not looking for the particular signals sent by the signallers (Taj, 2016). Hence, to identify the particular signals expected by the receivers, the CSRR index is constructed in close consultation with a range of Pakistani stakeholder groups. In this light, the CSRR items in the index could be seen as the expected signals and the weights assigned to these items as the level of importance the receivers have accorded to the signals. The researcher believes that the perspectives of extended stakeholder groups will assist corporations in the future to customize their CSRR according to stakeholder expectations and to send appropriate signals that would eventually reduce the information gap with broader stakeholders. Ultimately, this would work towards ensuring corporate transparency, accountability, and legitimacy in society in the future. Moreover, the stakeholder based CSRR index used for the content analysis in the current study serves as an appropriate evaluation tool to analyze the effectiveness of the signaling mechanism (CSRR) and to ascertain the extent of the information gap between the signalers (corporations) and receivers of the signals (stakeholders) in Pakistan.

The findings of the content analysis revealed that the sample firms provided low levels of CSRR -- both in terms of quantity and quality -- on most items that had been considered highly important by stakeholders. Arguably, there is a significant mismatch between stakeholders' information expectations and CSRR disclosures in Pakistan. As discussed in Chapter 4, for CSRR to be an effective signaling mechanism, it should reduce the information gap between the corporations and their stakeholders (Hahn & Kuhnen, 2013). However, the information gaps between the corporate sector and the Pakistani stakeholders in this study suggest that CSRR is a less effective signaling mechanism in Pakistan. Furthermore, the content analysis also reveals that CSRR in Pakistan prioritizes the information needs of select stakeholder groups such as shareholders and customers - - hence the high levels of disclosure on awards, certifications, and items relating to the product dimension -- rather than those of wider stakeholder groups, as reflected by the low levels of disclosure on items relating to the employee, energy, and environment dimensions. The degree to which the information is currently skewed to cater to the needs of shareholders and customers hinders the overall effectiveness of CSRR to reduce

information asymmetry and gaps between corporations and their wider stakeholder groups in Pakistan.

The Pakistani stakeholders participating in this study tended to view CSRR items such as awards and accreditations as less important as they are used for reputational and image-enhancing purposes. However, CSRR disclosures typically focused more on these items as evident from the high extent of disclosures on corporate achievements and acknowledgments. Hence, it can be inferred that corporate reputation, rather than sincere regard for CSR issues, is the fuel that drives CSRR in Pakistan. This is not the first study to conclude that corporate image-building and impression management underpins CSRR in Pakistan; a recent study by Khan et al. (2020) reached a similar conclusion. Interestingly, the findings of the content analysis revealed that, except for Pakistan Tobacco Limited, which had discussed the hazardous side effects of its products, all the sample firms adopted a selective approach to discussing their positive socio-environmental activities and refrained from reporting any negative impacts. Hence, in line with Mahoney, Thorne, Cecil, and LaGore (2013), this study finds that CSRR is used for greenwashing purposes as opposed to an attempt to signal transparency and accountability or to reduce information gaps between corporations and stakeholders in Pakistan.

Signaling theory also helps to interpret the findings of the hypotheses tested in the current study. The positive influence of firm size and industry variables on the extent and quality of CSRR (Chapter 8) supports the idea that large and environmentally sensitive corporations feel a greater need to participate in signaling activities like CSRR to ensure their legitimacy in society. Such corporations send signals to society about their socio-environmental commitments by providing a higher extent and quality of CSRR to gain support and approval. This is in line with Hahn & Kuhnen (2013), who also considered CSRR as a more important signaling tool for large and environmentally sensitive corporations as compared to smaller and less sensitive firms.

#### **9.2.4 Institutional Theory and CSRR in Pakistan**

According to institutional theory, corporations become homogenized in the organizational field in response to institutional pressure from society (DiMaggio & Powell, 1983). Legitimate institutional practices, such as CSRR, penetrates the organizations operating within a certain field through coercive, mimetic, and/or normative pressure from regulatory, normative, and/or cognitive institutions (Ali, 2014; Deegan, 2009). As corporations mimic each other and replicate similar behaviors to fit with current norms and practices, this helps them to gain legitimacy, more resources, and survival capabilities (DiMaggio & Powell, 1983; Fernando & Lawrence, 2014; Levi, 1990).

As with the other theoretical frameworks, the institutional theory provides critical insights into CSRR practices in Pakistan. During the CSRR index construction stage, Pakistani stakeholders had indicated a strong influence of normative institutional forces, such as religion and culture, in Pakistani society. This led to higher weights being assigned to CSRR items drawn from Islamic prescriptions such as zakat, halal certifications, and prayer breaks. Based on the weightings ascribed to the items that bear a religious influence, it would appear that CSRR practices in Pakistan are influenced first and foremost by religious prescriptions, norms, and values. However, this is not necessarily the case, as observed by an academician:

Religion is the key ingredient and is in the very fabric of the social, political, and economic structure of Pakistani society. Unfortunate and disappointing but true, your survival here is contingent on religion and that is how people can put “religious masks” to cover their evils and prosper in society. However, on the optimistic side, if truly adopted, religious prescriptions are a complete guide (Acad2).

This study found that Islamic prescriptions had minimal influence on levels of CSRR; items such as Zakat, Halal certifications, and prayer breaks received little coverage in the annual reports of corporations and the quality of the information provided was also poor. Ultimately, this suggests that normative institutions such as religion and culture have a minor influence on CSRR practices in Pakistan. That said, this study observed a gradual increase in the overall extent and quality of CSRR over the study period of 2015 to 2019. The incremental rise of CSRR in Pakistan may be due to pressure from other normative institutions such as the CSR Centre Pakistan and the Sustainable Development Policy Institute (SDPI). Both Khan et al. (2020) and regulators participating in this study referred

to the emergence and influence of these institutions which spread awareness about the importance of CSRR and which play an influential role in improving the extent and quality of CSRR in countries lacking formal regulations (Zhang, Wang, & Zhou, 2020).

The notion of coercive isomorphism in institutional theory appears to be a lesser factor in shaping CSRR practices in Pakistan (see also Khan et al., 2020). The negligible influence of existing regulations and guidelines, weak implementation mechanisms, and high levels of corruption in Pakistan are some of the internal factors that weaken the influence of coercive isomorphism. This is compounded by the voluntary nature of CSRR, and a lack of pressure from international bodies. The results of the hypotheses tested in this study also substantiate the weak influence of coercive forces in the case of Pakistan. For instance, foreign ownership is one of the major coercive forces in developing countries, and companies with a high proportion of foreign ownership tend to produce a higher extent and quality of CSRR (McGuinness, Vieto, & Wang, 2017; Muttakin & Subramaniam, 2015). However, the findings of the regression analysis found no relationship between foreign ownership and CSRR practices in Pakistan suggesting the weak influence of coercive forces in Pakistan.

On the other hand, this study observed a similarity in formatting and in the graphical information provided in the annual reports of Pakistani corporations within the same industries, which is suggestive of mimetic isomorphism. According to DiMaggio and Powell (1983), corporations emulate each other's CSRR as a response to the pressure from the business context to adapt to the organizational field. The corporate managers participating in this study also suggested that pressure from companies within the industry influences the adoption of CSRR practices in Pakistan. As a corporate manager from one of Pakistan's biggest corporations stated:

.....we have to do it (CSRR) to be in the business; otherwise, our competitors would take the lead. (CM4)

The negative relationship between the ages of firms and CSRR also illustrates the influence of mimetic forces on CSRR practices in Pakistan. Arguably, newly established firms in Pakistan have a greater need to homogenize their structures within the established organizational field to survive and compete in the market. To do this, they tend to imitate the market leaders in all aspects of business operations, including their CSRR practices, and they provide a higher extent of CSRR to ensure their survival in the industry. Thus, consistent with other studies (Khan et al., 2020; Khan, Lew, & Park, 2015; Zhao & Patten,

2016), this study suggests that mimetic isomorphism offers an appropriate framework for explaining CSRR practices in countries like Pakistan which have weak coercive forces.

### **9.2.5 Agency theory and CSRR in Pakistan**

Agency theory focuses on the principal-agent relationship model and suggests the existence of information asymmetry as agents (managers) have an information advantage over the principal (shareholders) in a business environment (Jensen & Meckling, 1976; Lassar & Kerr, 1996). Corporate disclosures, in general, and CSRR in particular, helps corporations to reduce the information asymmetry, improve their relations with shareholders, and reduce agency costs (An et al., 2011; Darus et al., 2013; Watson et al., 2002).

As discussed earlier, Pakistani corporations provided more disclosures on their wealth creation strategies such as product development and packaging, and they gave less attention to items relating to other CSRR dimensions. Overall, CSRR practices in Pakistan appear to be geared towards promotional purposes and are governed by the instrumental logic of maximizing value for shareholders and gaining long-term profits. The findings of the content analysis reveal that CSRR practices in Pakistan are shareholder-centric, supporting the management-shareholders model of agency theory. The low levels of CSRR, quantity- and quality-wise, in relation to items pertaining to the employee, energy, and environment dimensions provide further evidence of the general lack of corporate attention towards other stakeholder groups.

The empirical evidence drawn from the hypothesis testing stage partially supports agency theory, as only some of the factors that are identified by the theory as being influential to CSRR practices were borne out. According to agency theory, the board of directors represents a control mechanism that acts on behalf of shareholders to oversee the actions of management, align the interests of managers and shareholders, and consequently reduce information asymmetry and related agency costs (Vitolla, Raimo, & Rubino, 2019; Donnelly & Mulcahy, 2008). In this regard, several board characteristics, including board size, independence, and diversity, strengthen the control mechanism to align the interests of management and shareholders and to reduce information asymmetry by improving the extent and quality of information disclosure (Vitolla, Raimo, & Rubino, 2019). This proposition of agency theory is supported in the case of Pakistan as the findings of the current study suggest a positive association between board size and the extent and quality

of CSRR in Pakistan. This means that a bigger BOD enhances the monitoring mechanism and provides better representation and advocacy of shareholders' interests, which influences management to disclose greater amounts and a higher quality of CSRR to reduce information asymmetry and agency costs.

Agency theory also posits that board independence and diversity enhances monitoring mechanisms, helps in improving corporate ethics, and enables a better engagement with social and environmental pressures, all of which lead to better CSRR practices (Majumder et al., 2017; Alotaibi & Hussainey, 2016; Rose, 2007). However, no such association for board independence and diversity could be documented in the case of CSRR practices in Pakistan. Hence, the findings of the hypotheses testing only partially support the application of agency theory to explain the CSRR practices in Pakistan.

A summary of the theoretical interpretation of CSRR practices in Pakistan is presented in Table 9.1 below:

**Table 9.1: The Theoretical Interpretation of CSRR Practices in Pakistan**

CSRR Theory	Main Features (Expectations)	CSRR in Pakistan (Reality)
Stakeholder theory	<ul style="list-style-type: none"> <li>• Wider stakeholder groups</li> <li>• Organization-stakeholders relationships</li> <li>• Accountability &amp; transparency</li> <li>• Moral or managerial branch</li> </ul>	<ul style="list-style-type: none"> <li>▪ Specific stakeholder groups</li> <li>▪ Strong organization-shareholder relationships &amp; weak organization-stakeholders relations</li> <li>▪ Marketing ploy to enhance corporate image and reputation</li> <li>▪ Managerial/strategic</li> </ul>
Legitimacy theory	<ul style="list-style-type: none"> <li>• Social contract</li> <li>• Legitimacy threat</li> <li>• Accountability &amp; transparency</li> <li>• Symbolic or substantive legitimacy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Social contract acknowledged</li> <li>▪ Low legitimacy threat</li> <li>▪ Image and reputation building, competitive advantage</li> <li>▪ Symbolic legitimacy</li> </ul>
Signaling theory	<ul style="list-style-type: none"> <li>• Information asymmetry</li> <li>• Shareholders' information asymmetry</li> <li>• Extended stakeholders' information asymmetry</li> <li>• Signaling accountability &amp; transparency</li> <li>• Organizational legitimacy</li> <li>• Two-way communication</li> </ul>	<ul style="list-style-type: none"> <li>▪ High-level information asymmetry and gap</li> <li>▪ Information asymmetry with shareholders (high focus)</li> <li>▪ Information asymmetry with overall stakeholders (low focus)</li> <li>▪ Signaling improved image and reputation</li> <li>▪ Signals symbolic legitimacy</li> <li>▪ Greenwashing mechanism</li> </ul>

		<ul style="list-style-type: none"> <li>▪ One-way communication channel</li> </ul>
Institutional theory	<ul style="list-style-type: none"> <li>• Institutional isomorphism <ul style="list-style-type: none"> <li>❖ Normative</li> <li>❖ Coercive</li> <li>❖ Mimetic</li> </ul> </li> <li>• Institutional Legitimacy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weak institutions overall</li> <li>▪ Weak normative isomorphism</li> <li>▪ Moderate coercive isomorphism</li> <li>▪ Strong mimetic isomorphism</li> <li>▪ To be perceived as “good” and to gain a competitive advantage</li> </ul>
Agency theory	<ul style="list-style-type: none"> <li>• Principal-agent relationship</li> <li>• Information asymmetry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focused on management-shareholder relations</li> <li>▪ Information gaps with wider stakeholders</li> </ul>

### 9.3 The Nexus Between Theories and its Implications for CSRR in Pakistan

The nexus of the five theories in this study suggests several concepts and attributes that emerge from the CSRR practices in Pakistan. These constructs as shown in table 9.2. are elaborated in the discussion in the following paragraphs.

According to Gray et al. (1996), corporations provide CSRR to ensure accountability and transparency to their stakeholders and to legitimize their existence in society. However, as discussed earlier, CSRR in Pakistan is predominantly aimed at impression management, reputation building, and other marketing objectives (see also Khan et al., 2020). These motives of CSRR engagement have also been proposed in prior literature (Hooghiemstra, 2000; Juščius, Šneiderienė, & Griauslytė, 2014; Tata & Prasad, 2015) which suggest that CSRR is used for public relations purposes rather than stemming from a genuine desire to tackle CSR issues. The impression management and reputational intent behind CSRR engagement in Pakistan are obvious from a bird’s eye view of the entire CSRR index and the identification of the items that generated high levels of disclosure: CSR awards, certifications, and product-related acknowledgments. There is strong evidence to suggest that CSRR in Pakistan is guided by instrumental motives that focus on wealth creation strategies (such as product development, packaging, designing, and labeling) to enhance shareholders’ value, rather than to discharge accountability and transparency to wider stakeholder groups or to legitimize their operations in society.

The emphasis on impression management by Pakistani corporations engaging in CSRR indicates that the shareholders-management relationship model proposed in agency

theory (An et al., 2011) dominates over the organization-stakeholder model proposed by stakeholder theory (Freeman, 1984). Hence, the “business case approach” rather than the “stakeholder-accountability approach” of CSR and CSRR (Brown and Fraser, 2008) prevails in Pakistan. The application of signaling theory is particularly helpful here as the selective focus of CSRR in Pakistan and the information gaps between the corporate sector and Pakistani stakeholders indicate that CSRR is a less effective signaling mechanism in Pakistan.

The nexus of legitimacy and signaling theories highlights another important feature of CSRR in Pakistan. It suggests that CSRR is predominantly used for greenwashing and window-dressing purposes in Pakistan. The findings of the content analysis revealed that the majority of the sample firms concealed their negative socio-environmental impacts by selectively disclosing only positive information in their CSRR. As discussed previously, only Pakistan Tobacco Limited disclosed the harmful impacts of its products, whilst the remaining firms concealed their negative impacts on society and the environment, as reflected by their minimal disclosures on air emission, water, and waste disposal information. In line with the proposition forwarded by signaling theory, the biased selective discourse in CSRR that was revealed in this thesis can be referred to as greenwashing CSRR (Mahoney et al., 2013), which is aimed to present a socio-environmentally responsible image (Aggarwal & Kadyan, 2014; Seele & Gatti, 2017) rather than to ensure corporate legitimacy. As also found by Ahmad (2006), there was an obvious gap between the rhetoric and reality of CSR policies and actual practices as most of the corporate claims in the strategy statements were not supported and justified in the CSRR practices. For instance, the claims made in the environmental protection policies, energy conservation, and labor-related policies were not reflected in the CSRR items that discussed the initiatives undertaken to implement those policies. This disparity in the claims and actions also confirms that CSRR in Pakistan is used as a source to achieve symbolic rather than substantive legitimacy. Hence, consistent with the views of Mahoney et al. (2013), CSRR is better explained as a greenwashing or window-dressing mechanism with an attempt to achieve symbolic legitimacy in the context of Pakistan.

Institutional theory advances the debate and explains the possible reasons for the low extent and quality of CSRR in Pakistan. The content analysis of the sample firms’ annual reports and the interpretive analysis of the interviews suggest that Pakistani corporations do not face any significant pressure from stakeholders and are not threatened by coercive

(regulations, NGOs, international buyers, foreign investors, etc.) or/and normative forces (religion, culture, values, and norms). The weak influence of institutional forces is evident from the low extent of disclosures on religious CSRR items (Chapter 7), although religion is one of the key institutions in Pakistan (Trimble, 2018). Similarly, the hypotheses testing suggests a very low influence of foreign investors (coercive force) on the extent of CSRR. Because Pakistani corporations do not face obvious risks that threaten their survival capability, there is minimal incentive to discharge accountability and transparency to wider stakeholder groups. This then translates into low levels of CSRR in Pakistan, with respect to both quantity and quality.

Consistent with Seele and Gatti (2017), the findings of this study indicate that CSRR is used to maximize value for shareholders, an approach that rests on an instrumental logic<sup>60</sup> rather than a normative<sup>61</sup> logic of CSRR engagement. The concept of mimetic isomorphism from institutional theory can be used to explain the instrumental logic of CSRR in Pakistan. That is, within the industries, corporations seek to mimic the leaders in the field, a process that ultimately shapes and homogenizes CSRR practices in Pakistan. This mimicry helps corporations to gain a competitive advantage, improve their image and reputation, and access resources at a lower cost that eventually leads to value maximization for shareholders.

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<sup>60</sup> An instrumental logic of CSRR involves using CSR as a marketing ploy to improve the corporation's image and reputation and, ultimately, to maximize profits (Garriga & Mele, 2004; Jamali & Sdiani, 2013; Van Beurden & Gossling, 2008).

<sup>61</sup> The normative notion of CSR involves ethics and morality, wherein social and environmental issues warrant attention in their own right, regardless of stakeholder pressures (Branco & Rodrigues, 2007; Bronn & Vidaver-Cohen, 2009).

Table 9.2. presents a summary of the discussion to outline the concepts that emerge from the nexus of the five theories in the case of CSRR in Pakistan.

**Table 9.2: The Implication of Nexus Between Theories for CSRR Practices in Pakistan**

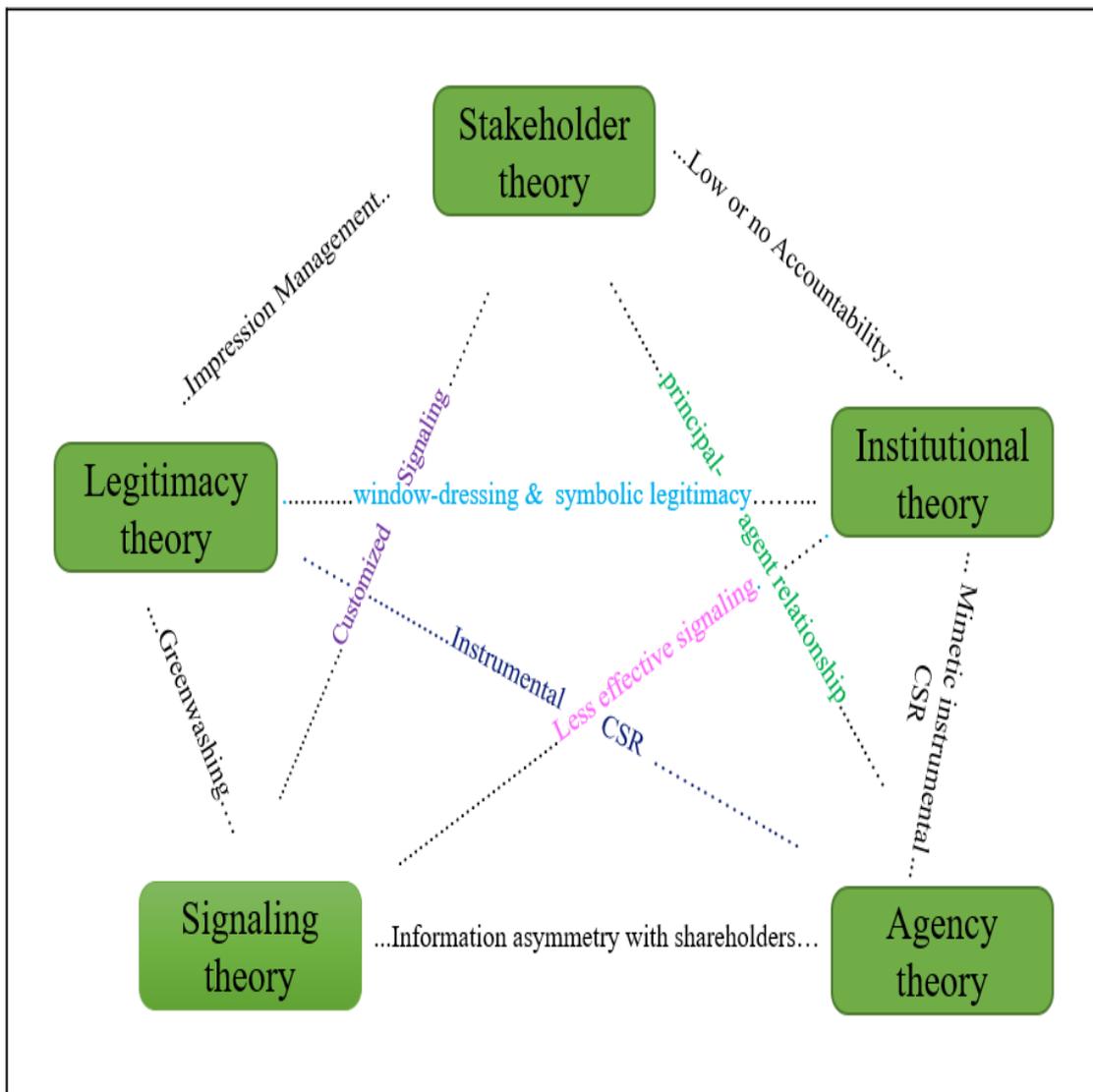
	Stakeholder theory	Legitimacy theory	Signaling theory	Institutional theory
Legitimacy theory	Impression Management			
Signaling theory	Customized & targeted signaling (to shareholders)	Greenwashing		
Institutional theory	Low or no accountability (weak institutional forces)	Window-dressing for symbolic legitimacy	Less effective signaling channel due to weak institutional forces	
Agency theory	Principal-agent relationship	Instrumental CSR & symbolic legitimacy	Information asymmetry with stakeholders	Mimetic isomorphism for instrumental CSRR

The overall analysis of CSRR in light of the multi-theoretical framework suggests that impression management and reputation building are the primary drivers of CSRR engagement in Pakistan. Similar concepts, such as greenwashing, window-dressing, and symbolic legitimacy can be considered as the prominent features evident in the CSRR practices of Pakistani corporations. Furthermore, instrumental logic prevails over the normative motives of CSRR in Pakistan. The core concepts/motives conventionally associated with CSRR, such as accountability, transparency, and substantive legitimacy, appear to be secondary priorities based on the analysis undertaken in this study. Surprisingly, the Islamic concepts of benevolence, akhuwat, and brotherhood were somehow neglected as the core motives of CSRR in Pakistan. This strengthens the argument that CSRR practices in Pakistan are strongly influenced by the Western conceptualization rather than guided by the local institutional factors such as religious and cultural norms and values. It is argued that since the CSRR reports evaluated in this study followed the global standardized approach, the motives of CSRR in Pakistan were no more different than those in the capitalistic world. However, it is believed that if the CSRR practices in Pakistan are designed and implemented under the context specific CSR

framework developed in this study would ultimately change the interpretations as well as the motives of CSRR in Pakistan in the future. The CSRR practices guided by the religious prescriptions, norms, and values would then be best explained by the Islamic concepts rather than the western motives of CSRR.

The theoretical framework constructed in Chapter 4 has been modified in light of the findings and the theoretical discussion. It is presented in figure 9.1. below:

**Figure 9.1: Theoretical Framework Explaining CSRR practices in Pakistan**



## 9.4 Conclusion

This chapter has revisited the theoretical framework employed in this thesis which draws on five different, but interrelated theories: stakeholder theory, legitimacy theory, signaling theory, institutional theory, and agency theory. It has linked strands of these theories to key aspects of the study including the construction of the CSRR instrument, the investigation of the extent and quality of CSRR, and company attributes influencing CSRR in Pakistan. The integrated theoretical framework used in this thesis enables a more holistic exploration and explanation of CSRR practices in Pakistan. Where some findings are easily explained using one theoretical lens, others are better understood through a different but complementary framework. Taken together, the integration of these theoretical frameworks offers a wide range of insights on CSRR engagement in Pakistan.

Although CSRR is normally associated with efforts by corporations to signal their legitimacy, transparency, and accountability to wider stakeholder groups, this study has found that this is not the case for the corporate sector in Pakistan. Instead, Pakistani corporations appear to be more focused on their shareholders (and not on overall stakeholder groups) in terms of their corporate disclosures, and this is reflected in the low extent and quality of CSRR produced. The content analysis of the annual reports produced by sample firms in this study also reveals the dominance of the instrumental logic of CSRR in Pakistan. Ultimately, CSRR is used as a greenwashing and window dressing mechanism to establish symbolic legitimacy. This may be due to the weak influence of institutional forces, such as coercive and normative institutions on the corporate sector, and the absence of stakeholders' activism to pose a legitimate threat to Pakistani corporations. As a result, Pakistani corporations use CSRR for image enhancing purposes rather than to gain substantive legitimacy and to discharge accountability and transparency to extended stakeholder groups in Pakistan. There is a glaring gap between what Pakistani stakeholders deem as important in accordance with Islamic concepts and what corporations end up giving importance to. This points to the fact that CSRR in Pakistan is influenced by western ideologies and Islamic prescriptions have lesser say in the current CSRR practices and policies in Pakistan.

The theoretical framework was also used to interpret the influence of various company attributes on CSRR in Pakistan. However, the findings for some of the factors in Pakistan (family ownership, profitability, female directors, and independent directors) ran counter to the propositions of these theories. Thus, the theoretical framework employed in this

study remains a work in progress. It could be argued that the unique and complex social, cultural, and business environment in Pakistan might require blending cultural and religious theories in the framework to better explain the CSRR practices in Pakistan. Finally, the interconnections between the CSR theories to explain CSRR practices in Pakistan suggests that these theories are complementary rather than competing in explaining CSRR in Pakistan.

The next chapter presents a summary of the study and provides the implications, recommendations, and future research insights of this thesis.

## Chapter Ten

### Summary, Conclusion, and Recommendations

#### 10.1 Introduction

The final chapter of this thesis revisits the background of the study, the research objectives, and discusses how the objectives of the study were met. The chapter presents the implications, significance, and contributions of the study for other researchers and practitioners. It provides recommendations for corporate managers, policymakers, regulators, and other related stakeholders for improvements in CSR and CSRR in Pakistan. This is followed by a discussion of the limitations of this study and the future research opportunities it presents. In the final section, the researcher presents his concluding thoughts.

#### 10.2 Summary of the Research Background, Objectives, and Approach

In the past few decades, CSRR has emerged as an important corporate practice (Akdoğan et al., 2017; Albu, Balsari, & Krasodomska, 2016) aimed to signal corporate transparency and accountability to ensure organizational legitimacy and survival in society (Nicolo, Zanellato, & Tiron-Tudor, 2020; Mahmood, Kouser, & Masud, 2019; Cormier, Maignan, & Van Velthoven, 2005). CSRR has become one of the major fields of inquiry by accounting researchers (Rupley, Brown, & Marshall, 2017; Tilt, 2016). A review of the literature indicates that developed countries influence CSRR practices and research in developing countries and researchers in developing countries tend to follow the CSRR frameworks devised and implemented in developed economies (see, for instance, Hossain et al., 2006; Juhmani, 2014; Rosli et al., 2016, Sharif & Rashid, 2014). However, as CSR practices, policies, and reporting are context-driven, and these contexts vary significantly between developed and developing countries (Adams, 2002; Belal & Momin, 2009; Hossain & Rowe, 2011; Visser & Tolhurst, 2010), the CSRR frameworks that have been designed for developed countries may not be suitable for developing countries (Kamla, 2007). Standardized and universal frameworks and standards including the GRI (G4) Sustainability Reporting Standards are not tailored for the specific socio-political, religious, and cultural factors of individual countries. Hence, standardized frameworks may be less effective instruments to guide and evaluate the CSR and CSRR practices of countries with unique issues and contexts.

This study was conducted in Pakistan, a developing country with a unique socio-environmental, political and religious climate. A review of existing CSRR literature suggests that there is a lack of studies that dwell in context specific factors that affect CSRR practices. The literature review also revealed that, although stakeholder perspectives are central to the information richness of CSRR (Golob & Bartlett, 2007), none of the studies in Pakistan have consulted the wider stakeholder groups to understand and incorporate their information needs in terms of CSRR. Moreover, the majority of CSRR studies in Pakistan were causal or correlational and primarily focused on examining the determinants of CSRR using CSRR indices constructed for other contexts (see, for instance, Bae et al., 2018; Ali et al., 2018; Lone et al., 2016; Sharif & Rashid, 2014). The unique socio-political, religious, and cultural settings of Pakistan, the scarcity of CSRR research on Pakistan, and the absence of a context-specific CSRR framework that is informed by stakeholder perspectives motivated this study.

The overarching purpose of this study was to develop a CSRR framework for Pakistani corporations. The CSRR framework which was developed consists of several components including a CSRR index, guidelines for the implementation of CSRR, suggestions for the improvement of reporting practices, and methods to evaluate CSRR of Pakistani corporations. The following are the inter-related objectives of this study:

1. To develop a CSRR disclosure index from the perspective of Pakistani stakeholders.
2. To evaluate the extent and quality of the CSRR practices of Pakistani listed companies.
3. To examine the factors influencing the extent and quality of CSRR of Pakistani listed companies.

To achieve the objectives of this study, a sequential mixed method research approach was adopted. The stakeholder-based CSRR disclosure index was developed using quantitative (survey questionnaires) and qualitative (semi-structured interviews) approaches simultaneously. A qualitative content analysis technique was used to achieve the second objective of the study. Finally, the third objective was achieved using quantitative techniques including correlation and regression analysis. The use of the mixed methods approach helped the researcher to provide an in-depth and holistic exploration of CSRR practices in Pakistan. The advantage of a mixed-method approach is that the findings of one method can shape and complement the outcomes of another and, in totality, enrich

and strengthen the overall results. For instance, the semi-structured interviews enabled the researcher to elaborate, clarify and interpret the findings of the survey questionnaire. Similarly, the interpretive analysis of the interviews and the content analysis of the annual reports helped in substantiating and interpreting the statistical results from the hypothesis testing. Moreover, the use of the mixed-method approach helped to overcome and offset the weaknesses inherent in exclusive use of either the quantitative or qualitative approaches.

The following sections revisit how these objectives were achieved, and they discuss the major findings of the study.

### **10.2.1 Objective One: Development of a Stakeholder-based CSRR Index**

The first objective of the thesis was to construct a CSRR disclosure index from the perspective of Pakistani stakeholders. In the first phase of the development of the CSRR disclosure index, a preliminary list of 52 CSRR items was developed in light of the contextual socio-economic and environmental issues highlighted in extant CSRR studies. The preliminary CSRR index was refined through consultation with eighteen accounting and CSR experts who proposed certain modifications in the preliminary CSRR index. This was followed by a survey questionnaire and semi-structured interviews with 50 Pakistani stakeholders from eight stakeholder groups. It was concluded from the analysis of the questionnaire and interviews that the Pakistani stakeholders recognize the importance and need for a CSRR framework to guide, evaluate and ensure the transparency of CSR and CSRR practices in Pakistan. The majority of the Pakistani stakeholders believed that Pakistani corporations were failing to meet the information expectations of wider stakeholder groups. The Pakistani stakeholders recommended some changes to the preliminary CSRR index, and the final version of the CSRR index consisted of 70 CSRR items. To evaluate the extent as well as the quality of CSRR in Pakistan, a quality criterion was developed. Finally, two rounds of pilot tests of the CSRR index were performed on five annual reports to ensure the reliability and validity of the CSRR index. The high Krippendorff's alpha values confirmed the reliability and validity of the CSRR index that was used to evaluate the extent and quality of CSRR in the next stage.

### **10.2.2 Objective Two: Evaluating the Extent and Quality of CSRR in Pakistan**

The researcher applied the stakeholder-based CSRR index to the annual reports of twenty-five Pakistani corporations to evaluate the extent and quality of CSRR in Pakistan. The findings of the content analysis indicated a low level of the extent and quality of CSRR by the sample firms. In terms of the extent of disclosures, the majority of the items which had been deemed important by the stakeholders were not adequately discussed in the CSRR. Out of the 70 CSRR items, 52 items (74%) were disclosed in 1-2 sentences each, which is a very low extent of reporting. Similarly, the quality scores suggested a low quality of CSRR disclosure by the sample firms. The information disclosure on the majority of the CSRR items was very descriptive and lacked substantive evidence such as verifiable quantitative and monetary information. Despite the high level of importance assigned by stakeholders to the majority of the CSRR items on the index, the low extent and quality of CSRR suggest a significant information disclosure gap between stakeholders and the corporate sector of Pakistan.

The sectoral analysis and the findings from the Kruskal-Wallis test reported significant variations across the industries in terms of the extent and quality of CSRR. In other words, the highly visible and socio-environmentally sensitive industries, including fertilizer and chemical, cement, and oil and gas industries, provided a greater extent and higher quality of CSRR compared to the less visible, small, and less environmentally sensitive industries such as the technology and communication and cable and electrical goods industries. The findings of the content analysis revealed the weak influence of Islamic teachings on the corporate sector of Pakistan, despite Islamic prescriptions providing clear guidelines for specific items. Moreover, it was found that CSRR in Pakistan is mainly used for greenwashing, window dressing, and reputation building purposes, catering to the interests of powerful stakeholders rather than aiming to ensure corporate transparency and accountability towards wider stakeholder groups.

### **10.2.3 Objective Three: Examining Factors influencing CSRR in Pakistan**

The final objective of the study was to examine the influence of twelve company attributes on the extent of CSRR in Pakistan. The findings of the correlation and regression analysis indicate that firm size, type of industry, the board size, and family ownership had a positive influence on CSRR practices in Pakistan. There are several explanations for these findings. The positive association between firm size and CSRR can

be explained as big firms have high public visibility and scrutiny, and more financial and human resources to provide CSRR information to gain public approval and ensure corporate legitimacy (Cowen et al., 1987; Udayasankar, 2008). The results for firm size were consistent with previous studies (Tufail et al., 2017; Ali et al., 2016; Haniffa & Cooke, 2005; Inchausti, 1997; Martin & Hadley, 2008; Zheng et al., 2014). Similarly, in line with other studies (Chan et al., 2014; Deegan & Gordon, 1996; Lu & Abeysekera, 2014; Roberts, 1992), this study found that firms belonging to industries that are more prone to sanctions and penalties by regulatory authorities disclosed a higher extent of CSRR as compared to those operating in less sensitive industries in Pakistan.

However, government ownership was found to negatively affect the extent of CSRR practices in Pakistan. It has been argued that government-owned companies in Pakistan have strong backing from the state and face little regulatory, legitimacy, transparency, and accountability pressure. Similarly, government-owned firms follow more traditional corporate approaches and thus have lower incentives to provide a high level of CSRR. No significant influence on the extent of CSRR was documented for the remaining factors: leverage, profitability, firm age, audit type, independent and female directors, and foreign ownership. A possible reason for the insignificant association between firm profitability and the extent of CSRR may be that corporate focus in Pakistan is on shareholder wealth maximization rather than investing in CSRR which is costly and which has no direct benefits. These results are consistent with other CSRR studies in both developed and developing countries (Abd Rahman et al., 2011; Ghazali, 2007; Reverte, 2009; Siregar & Bachtiar, 2010). Similarly, the influence of patriarchy in Pakistani society is such that female directors lack the representation and the power to influence corporate decisions. Thus, their presence on corporate boards does not significantly affect CSRR practices in Pakistan.

### **10.3 Contribution of the Study**

At the inception of this study, the researcher set clear intentions to contribute in three different ways to CSRR research. These theoretical, methodological, and empirical contributions, which add to the knowledge, literature, and practice of CSRR, are presented below.

#### **10.3.1 Theoretical Contribution**

The study contributes theoretically by constructing and applying an integrative theoretical framework, drawing on five prominent theories -- stakeholder, legitimacy, signaling, agency, and institutional theories -- to understand and interpret CSRR in Pakistan. Using the integrated theoretical framework, the study answers an important question: does the Western ideology of CSRR or do contextual factors such as religion and culture exert a more dominant influence in the CSRR practices of a predominantly Islamic nation? The responses of stakeholders in this study and the influence of Islamic teachings in Pakistan would suggest that CSR and CSRR would be primarily driven by key Islamic concepts of benevolence, brotherhood, or *Akhuwat*. However, the empirical findings analyzed through the integrated theoretical framework suggest that CSRR in Pakistan is approached instrumentally, as a mechanism for enhancing the images of corporations. Hence, it can be argued that as a former British colony, Pakistan is still strongly influenced by capitalism, and business practices such as CSRR may be best explained by Western theories in their original form. This argument, however, ignores the impact that religious prescriptions and contextual factors have had, albeit weak, on CSRR practices in Pakistan. Of course, the low level of CSRR in Pakistan may be due to the Western theorizing of CSRR. It is argued that the level of CSRR in Pakistan may increase if CSR and CSRR are defined and interpreted in accordance with local contextual factors. Hence, a modification to the integrative theoretical framework was made by ensuring that Islamic theories and concepts of CSRR (such as benevolence, brotherhood, *akhuwat*, etc.) were also included in the analysis of CSRR in Pakistan.

The study also contributes to the theoretical debate regarding the contextualization of CSR and CSRR practices. By critically examining the CSR issues and stakeholders' expectations, and analyzing the socio-economic, ideological, religious, and cultural contexts of Pakistan, the researcher contends that CSR and CSRR are strongly influenced by local factors. The study reveals that stakeholders will have their own specific set of

expectations of CSRR, and these expectations vary from context to context. Hence, this study supports and extends Visser's (2007) argument that CSR is a context-oriented concept and CSRR frameworks, guidelines, policies should be formulated following the norms, values, and realities of the given context for better implementation and improved outcomes.

### **10.3.2 Methodological Contribution**

This study makes some methodological contributions by developing an extended methodology to evaluate CSRR practices. The methodological orientation adopted for constructing the CSRR disclosure index is motivated by scholarly debate on the contextual nature of CSRR, and the suggestion to develop context specific CSRR frameworks for implementing and evaluating CSRR practices (for example, Cheruiyot & Tarus, 2017; Tilt, 2016; Visser, 2008; Matten & Moon, 2005). This call to develop context specific CSRR frameworks, however, has not been translated into significant action in research. This study attempts to address this gap by providing practical evidence of the contextual approach and by developing and implementing a systematic methodology. The systematic methodology developed in this study includes the techniques and procedures to construct and assign weights to the CSRR index (using extant literature, international guidelines, local issues, and most importantly stakeholders' perspectives), and developing and implementing criteria to evaluate the quantity and quality of CSRR practices. In this way, the current study contributes in the form of a systematic and extended methodology that can be used in other jurisdictions to undertake CSRR research.

Furthermore, this study sought the perspectives of eight significant stakeholder groups in Pakistan including corporate managers, investors, employees, customers, academicians, government regulators, accountants and auditors, and religious clerics to develop the CSRR framework for Pakistan. This is the first study of this type to use such wide and extended groups of stakeholders as most studies that have sought the input of stakeholder groups in the development of CSRR frameworks have only involved one or two groups (see, for instance, Mahmood et. Al., 2019; Adhikari & Tondkar, 1992).

### **10.3.3 Practical and Empirical Contribution**

As discussed previously, one of the major contributions of this study is the development of a contextualized CSRR framework. The CSRR framework, specifically the stakeholder-based CSRR index, enables one to understand the key CSR issues and

relevant actions to address these issues. The index provides an evaluation method to assess the CSRR practices in Pakistan or other similar contexts. The CSRR framework can be used as a model by other developing countries to design and improve their CSRR practices. The CSRR framework also has practical implications for the government and corporate sector (discussed in detail in the next section) as it represents a way forward for regulators and practitioners to refine their CSR and CSRR guidelines and regulations for a Pakistani context.

The study also contributes to Islamic scholarship on CSRR by highlighting the implications of CSRR practices in a predominantly Islamic context. Previous studies have mainly focused on abstract non-empirical arguments derived from the Quran, Hadiths, and other Islamic teachings to support an Islamic orientation towards CSRR. This is one of the first studies to undertake empirical research on Islamic connotations of CSRR and it does this in three ways. First, the study consulted Islamic scholars as a primary stakeholder group to gain the religious understandings and interpretations of CSR and CSRR, which form an essential component of the CSRR framework for Pakistan. Second, Islamic prescriptions have been referred to derive CSRR items based on Islamic principles such as Zakat, Halal operations, prayer breaks, abaya, etc. These items form a crucial group of CSRR items in the CSRR index. Finally, Islamic principles play a key role in the content analysis and scoring of the CSRR performance of Pakistani corporations. In turn, this affected the evaluation and interpretation of the CSRR performance of Pakistani corporations and influenced the findings of the hypothesis testing.

Finally, this study adds to the empirical CSRR literature by examining the influence of company attributes on the extent of CSRR in Pakistan. Previously, CSRR studies in Pakistan have used the dichotomous unweighted approach or have adopted CSRR measures from other contexts, and they have documented mixed and inconclusive results. Moreover, no single study has examined the determinants of the quality of CSRR using a contextualized CSRR measure in Pakistan. In using a context-specific weighted CSRR measure, which is arguably a more reliable and valid approach, this study contributes to empirical CSRR research.

#### **10.4 CSRR Framework for Pakistan: Recommendations for Implementation and Improvements**

This study advocates the importance of a CSRR framework for Pakistan. The CSRR framework should be formulated in accordance with the local socio-economic, political, and environmental issues of the context. The importance of contextualizing CSR and CSRR has been argued by several scholars (such as Visser, 2007; Belal & Owen, 2007; Laan-Smith et al., 2005; Matten & Moon, 2008; Fernando & Lawrence, 2015; Tilt, 2016) who emphasize that CSRR frameworks, guidelines and policies should be devised in accordance with the norms, values, and realities of the particular context in order to facilitate implementation and to improve outcomes. The study reveals that contextual factors such as the socio-economic system, political ideologies, and religious and cultural norms of a given place play a key role in the successful development and implementation of CSRR frameworks, strategies and policies. This study's interviewees with Pakistani stakeholders highlight that, as the end users of CSRR information, corporate stakeholders have specific expectations of CSRR, expectations that will be inadequately addressed when a standardized, universal CSRR approach is undertaken. On the other hand, it is important to note that there is a major limitation to adopting a contextual approach as compared to a standardized approach such as GRI (G4) standards. The Pakistani corporations should adopt an "outside-in" approach and listen to and observe the needs of the society. This could be achieved by engaging the key stakeholders and utilizing their inputs in the CSRR policy making. The stakeholders also need to raise their concerns and voice to divert corporate attention from mere profit-making to the socio-economic development of the country. Moreover, the study indicates a gap between Islamic prescriptions and CSRR practices in Pakistan. Considering the strength of religious affiliations in the country, the findings are disappointing. It is believed that the religious prescriptions, norms and values embedded in the CSRR practices would bridge the gap and would ultimately lead to the better implementation of CSRR in Pakistan.

The contextual CSRR framework is prone to manipulations as local practitioners may be inclined to only report positive information that enhances the reputation of the corporation and omit any negative information. This is where the role of government regulators such as the SECP and SBP becomes very crucial to closely monitor CSRR activities and ensure third party audits of CSRR. Furthermore, the government should work in collaboration with the corporate sector to devise the CSRR legislations and pinpoint the areas where

they need corporate support. Further, proper and regular incentives should be given to the corporate sector based on their CSR and CSRR performances.

The CSRR framework developed in this thesis for Pakistan comprises a contextualized CSRR index, a method for the evaluation of CSRR practices, and guidelines for the effective implementation of the CSRR Framework. The CSRR index is based on local socio-economic, religious, and cultural contexts such as the level of poverty, population, education, income level, unemployment, religious dominance, and cultural norms that distinguish Pakistan from other countries. The index includes several CSRR items that are derived primarily from Islamic prescriptions including the Holy Quran and Hadith, which differentiates it from existing global CSRR indices.

The CSRR framework for Pakistan proposes a systematic method for the evaluation of CSRR practices of Pakistani corporations. The CSRR evaluation methodology includes three major components: consultation with stakeholders, a scoring system, and content analysis. An ongoing effort to consult a range of stakeholder groups in the identification and weighting of CSRR items is vital. This would help corporations to focus their attention on the CSRR items that are considered crucial by local stakeholders. The scoring system developed in this study comprises both quantitative and qualitative criteria to measure the CSRR performance of Pakistani corporations. In conjunction with the CSRR index, the scoring system enables content analyses to be conducted on the annual reports of Pakistani corporations. The systematic evaluation methodology developed here is useful not only for future researchers but for corporations themselves to evaluate their CSRR practices.

The final component consists of several suggestions and recommendations for the successful implementation of the CSRR framework for Pakistan. It is important to discuss the factors and key players that should be considered to effectively implement and enforce the CSRR framework in Pakistan. Most importantly, the government of Pakistan should play its role in creating awareness about CSRR, and relevant bodies such as the SECP, the SBP, and PSX must highlight the importance of CSR and CSRR practices for Pakistani corporations. In this regard, regulatory authorities should take immediate action to implement the CSRR framework and guidelines. The stakeholder-based CSRR framework developed in this study provides regulatory authorities with guidance but the effective implementation of it rests on strong government support. This process will take time and the CSRR framework must be carefully and gradually implemented to achieve

corporate uptake. The powerful influence religious clerics exert over Pakistani society represents another opportunity for promoting public awareness about CSR. Including topics like CSR, sustainability, accountability, and transparency in regular religious gatherings is a way of socializing these concepts within Pakistani society so that they eventually become normalized. If religious scholars collaborated with regulatory bodies, NGOs, and stakeholder activist groups to develop a CSR culture in Pakistan, this would increase the likelihood of an eventual improvement in CSRR practices in the country.

Of course, the corporate sector also has a key role to play in the successful implementation of the CSRR framework. Factors such as the nature and size of business, industrial collaboration, existing statutes, regulations, and policy prescriptions must be considered while implementing the CSRR framework. For instance, although the CSRR items in the index apply to the sample firms in this study, certain CSRR items may not apply to all Pakistani firms. In these cases, the corporation can devise specific industrial guidelines using the extensive list of CSRR items in the index. However, the guidelines should be in line with the existing statutes and regulations prescribed by the government. Furthermore, the corporate sector should work collaboratively to implement the CSRR framework if greater outcomes are to be achieved. One possibility is the allocation of company-specific CSR activities on a geographical basis to help local communities in a targeted way. For instance, companies operating in areas with low literacy rates could focus more on education development, while regions with poor health facilities could attract more health-related CSR investments, and so on. Corporations should employ a designated CSR committee that would be responsible for the implementation of the CSRR framework, engagement with local stakeholders, and formulation and revision of their CSR policies according to the needs of society. The corporate sector should actively engage with relevant stakeholders and establish a two-way communication channel, rather than the current practice of one-way information delivery. This would help corporations to effectively achieve the main goals of CSR and CSRR: to reduce the information gap, to ensure transparency and accountability, and to give back to society.

To increase the effectiveness of CSRR, it is recommended that Pakistani corporations provide Urdu-translated versions of their CSRR. This would help to promote awareness about CSR and CSRR across the country. Moreover, the corporate sector of Pakistan should improve its CSR presentations on the internet. Currently, some companies regularly provide CSR updates on their websites, but the content and layout of these

websites are not particularly user-friendly or easily accessible. In addition, the CSRR for some of the sample firms was not available online, which was surprising in light of this modern digital era. A critical issue in the implementation of the CSRR framework is that corporations must provide a sufficient extent and reasonable quality of CSRR rather than adopting a check box and cherry-picking approach. The information disclosure needs to be concise, relevant, material, and qualitative statements must be supplemented with quantitative, numerical, and more objective facts. To ensure true and fair CSRR and to avoid misleading and dubious information, third-party assurance and social audits are recommended. This study had found that some companies were adopting a copy-paste approach just to fill in space in their annual reports, and such actions should be discouraged by third-party audits. Finally, to enhance employee understanding and knowledge about CSR and CSRR, the corporate sector needs to organize training, skill development projects, and informative seminars and workshops to develop CSR and CSRR expertise at the managerial level.

## **10.5 Implications of the Study**

The findings of this study have several implications for a range of Pakistani stakeholder groups including corporate managers, the government and regulators, and other relevant stakeholders. In general, the study strongly recommends the adoption of transparent CSRR disclosures in Pakistan. The implications of this study for specific stakeholder groups in Pakistan are presented below.

### **10.5.1 Implications for the Corporate Managers**

CSRR has gained momentum around the world, but the current level of CSRR practices in Pakistan is low and unsatisfactory. The findings of this study should be an eye-opener for corporate management in Pakistan. Corporate management should look to improve their CSRR practices if they are to compete in the international business environment. This requires engagement with a range of stakeholder groups -- not just shareholders -- and genuine efforts to address their information needs. It is of utmost importance that corporations map their stakeholders in terms of their significance and power and devise their CSRR policies accordingly. In this way, they have a better chance at reducing the information gap with their stakeholders, gaining their approval, and ensuring their legitimacy in the domestic and international business arena.

Corporate management should also reconsider the importance of Islamic prescriptions and teachings in the business affairs of Pakistan. As asserted by many of the respondents in this study, corporations should adhere more closely to the rules and directives prescribed by Islam and disclose CSRR items that have been drawn from Islamic prescriptions. Further, the Pakistani corporations should adopt a more inclusive approach and involve religious scholars in designing their CSR and CSRR strategies. This would give them license to operate in the Muslim-dominated society without any institutional difficulties.

Corporate managers should use the stakeholder-based CSRR framework developed in this study as a guide to formulate their CSR and CSRR policies. The weights assigned to the CSRR items indicate which issues should be prioritized. In this way, the overall effectiveness of CSR would improve. Moreover, corporations need to discuss their CSR activities comprehensively in their annual reports which will serve as exemplars for low-performing companies to emulate. Of course, such CSRR efforts must stem from a genuine commitment to corporate transparency and accountability towards stakeholders rather than an attempt to enhance the image of the corporation.

The state-owned companies must focus their attention on their CSR and CSRR activities. The findings of the study suggest extremely low levels of CSRR by state-owned companies, with respect to both quantity and quality. State-owned companies should lead from the front and set an exemplary role to motivate privately-owned companies and small and medium enterprises in the country. Moreover, state-owned companies, by their very nature, have a duty to run corporate awareness-raising campaigns to educate other corporations about the importance of CSR and CSRR for Pakistani society.

Finally, this study also has implications for the international audience. Most importantly, it has significance for global businesses operating or planning to establish their subsidiaries in Pakistan. It is argued that the CSR and CSRR practices of developed countries do not fit exactly in the context of Pakistan, with its unique socio-environmental, political, cultural, and religious issues. Thus, global businesses might use the CSRR index to develop more contextualized and impactful CSR and CSRR that would help them to gain stakeholder support.

### **10.5.2 Implications for Regulators**

The findings of this study indicate that business regulatory authorities in Pakistan (such as the SECP, PSE, and State Bank of Pakistan) lag behind in designing and implementing CSRR guidelines to improve CSRR practices in Pakistan. Although the SECP has issued certain CSRR guidelines, they are generic and do not guide the content of CSRR. Weak implementation mechanisms, corruption, and lack of bureaucratic will and resources all add to the regulatory negligence towards CSRR in Pakistan. It is recommended that the government of Pakistan should strengthen these institutions and must strictly monitor the performance of regulatory authorities. Regulatory bodies also need to work in collaboration with the corporate sector and to support them in their CSR and CSRR initiatives. In the current absence of prominent CSRR regulations and guidelines, the CSRR framework constructed in this study offers regulators a starting point for designing CSRR guidelines for the corporate sector of Pakistan. In addition, regulators may also use the CSRR index as an evaluation tool to examine the extent and quality of CSRR.

### **10.5.3 Implications for other Key Stakeholders**

The study also has implications for other key stakeholder groups, including socially responsible investors, employees, and customers. One of the reasons why CSRR levels in Pakistan are so low is that stakeholder activism and awareness of CSR issues are generally low. Pakistani stakeholders have an opportunity to be more vocal in their demand for greater transparency and accountability from corporations. Unless these demands and expectations are clearly and consistently communicated to corporate management, there will be a minimal incentive for corporations to disclose such information voluntarily. Unless stakeholder activism increases significantly, CSRR practices in Pakistan will continue to lag.

This study also has implications for the academic sector of Pakistan. The academicians interviewed in this study highlighted the lack of academic focus towards CSR and CSRR. The higher education sector in Pakistan should ensure the inclusion of CSR and CSRR as a part of the curriculum. This study might play an important role in designing a CSRR course that increases awareness and knowledge about CSR and CSRR, and might encourage more CSRR practitioners and academicians in the future.

#### **10.5.4 Implications for International Organizations**

Finally, this study has implications for international organizations such as the United Nations, GRI, and IIRC. As mentioned earlier, CSRR is a context-driven phenomenon and international organizations should consider contextual factors when they design CSR projects or/and CSRR guidelines and standards. For instance, the United Nations should adopt a needs-based approach to prioritize the issues that have significance for the given context, and execute their humanitarian or environmental projects accordingly. Similarly, the adoption of universal sustainability reporting standards such as the GRI (G4) standards may be less appropriate for countries like Pakistan which has its own unique socio-economic, religious, and cultural climate. International standard-setting bodies should seek the input of local stakeholders such as corporate managers, CSR experts, academicians, and religious scholars. This would facilitate the design of contextually-relevant standards and guidelines for CSRR -- a crucial step in the effective implementation of CSRR standards and guidelines.

#### **10.6 Limitations of the Study**

While this study offers theoretical, methodological, and empirical contributions to the CSRR literature, the findings of this thesis are subject to some limitations. Firstly, only 50 stakeholders from eight stakeholder groups were consulted in this study. Future studies could look to increase their number of participants although the stakeholders involved in this study were experts in their fields. Secondly, the researcher used the annual reports of corporations for content analysis. Other sources of information, such as corporate websites, archival documents, newspaper articles, and corporate interviews may provide additional insights that enrich current understandings of CSR and CSRR in Pakistan. That said, the restricted nature of some of these sources and the lack of digital access to many of these sources made it difficult to use these sources as data, which is another shortcoming of this study.

#### **10.7 Future Research**

The limitations of this study open up avenues for future CSRR research. At a theoretical level, this research aimed to construct an understanding of CSRR practices using an integrated theoretical approach. It has indicated that the integration of theories is a useful theoretical approach through which the concept of CSRR can be investigated and

interpreted. There is an opportunity for future research to broaden the theoretical lens by adding certain theological and cultural theories to expand and substantiate the “contextualization” debate in CSRR. The consideration of these other theories may facilitate the process of interpreting the findings of a study and enrich CSRR practice and research.

At the methodological level, future research can expand the findings of this study by conducting focus group discussions with wider stakeholder groups to gain more insights and recommendations for the improvement of CSRR practices in Pakistan. CSRR researchers should consider expanding the scope of this study by increasing the sample size and examining the CSRR practices of Small and Medium Enterprises (SMEs) in future research. Comparisons between CSRR practices in developed countries and the findings drawn here could also be performed in the future. Finally, this study is limited to an analysis of the annual reports of Pakistani corporations. An analysis of alternative sources such as internet reporting, corporate memos, archival documents, and newspaper articles may bring further valuable insights into the CSRR research field.

## **10.8 Lessons Learnt**

My journey as a Ph.D. student is best explained by Nancy Ann Healy’s description of a roller coaster ride in her novel, “Falling through shooting stars”. There were many twists and turns, and some of the hills were a bit scary but I stayed on the ride just to feel the thrill of that fall again and raised my hands in the air to enjoy the ride. As wisely said by Laila Gifty, the pursuit of a Ph.D. is an enduring daring adventure and if you want to succeed, you must work hard to overcome the obstacles on your way.

As I reflect on my Ph.D. journey, I believe I was clear about the main purpose of my Ph.D. from day one. As a citizen of a developing country, I have been noticing the ever-growing socio-environmental issues in Pakistan. I wanted my thesis to have a positive impact in its limited capacity and to serve as a guide to mitigate these issues. Hence, I chose CSRR as the theme for my thesis. I faced several challenges during my journey but tried my best to overcome the challenges and achieve the goals that I had set. The primary challenge was to narrow down the topic and formulate the overall objective of the study. Through an extensive review of the research, CSRR practices in Pakistan, and with the continuous support of my supervisors, I reached my main research objective: to develop a CSRR framework for responsible corporate practices in Pakistan. The choice of an appropriate

theoretical perspective and relevant methodological approach was the next difficult task I faced. Unlike many conventional studies, I decided to adopt a multi-theoretical lens and to apply a mixed-method approach to undertake my research and interpret my findings. It was a very challenging phase given my limited set of research skills. However, the main purpose of my Ph.D. -- to bring a positive impact -- kept me motivated and moving forward. I developed and improved my analytical, interpretive, and statistical skills to present and make sense of the findings using the multi-theoretical framework. I have a strong conviction that the findings of this study will contribute to the improvement of CSRR practices and help in mitigating the socio-environmental issues prevailing in Pakistan.

As I look back on my Ph.D. experience, I realize that each time I thought my work was rejected or criticized, I was actually being re-directed and guided towards something better. An important lesson that I learned during my Ph.D. is that there is no shortcut, and patience and determination are the essential elements of any successful journey.

## **10.9 Concluding Thoughts**

As a researcher and citizen of Pakistan, the current level of corporate and regulatory attention towards CSRR is disappointing for me. I agree with Gray and Bebbington (2000), Tregidga (2006), and many more that “real” changes are required if we want the planet to be in safe business and accounting hands. I believe that CSRR practices in Pakistan are used for impression management, reputation building, and greenwashing purposes. I also believe that if CSRR continued to serve these corporate motives, the consequences would perpetuate social injustice, rights violations, and environmental degradation.

On a more optimistic note, even though changing the corporate intent of CSRR is far from easy, I am hopeful about the improvements in CSRR in Pakistan. A “slow and gradual” but continuous improvement in CSRR (as indicated in Chapter 7) is a positive sign that indicates a point of departure for better CSRR practices in the future. The rise of several activist groups and NGOs working for the rights of consumers, laborers, and the environment are expected to hold corporations accountable for their practices and influence them to have better CSR and CSRR. Moreover, the current government of Pakistan, under the premiership of Imran Khan, has focused more than ever on resolving the socio-environmental issues of the country. This is evident from projects such as the

Billion Tree Tsunami, Ehsaas Emergency Cash Program, Sehat Sahulat Program, and Naya Pakistan Housing Program. It is believed that the government would take serious and rigorous regulatory measures to reassess the role of corporations in society and to ensure corporate transparency and accountability through CSRR.

Finally, the researcher has categorically prescribed the duties of practitioners, researchers, and other key stakeholders for the improvement of CSRR in Pakistan. It is hoped that each of the stakeholder groups will contribute positively to bringing about a “real” change and will raise their voices to hold corporations accountable for their ill practices. This would ultimately lead to better CSR and CSRR practices in Pakistan.

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## Appendices

### Appendix 1: List of Stakeholder Groups

Stakeholder Groups	
Corporate Managers	Corporate Managers from top 30 non-financial listed companies
Employee	Representatives from Labor Unions (Pakistan Workers Foundation, Pakistan Labor Foundation), and employees from top 30 non-financial listed companies
Investors	Investors registered with brokerage firms
Consumers	Consumer groups (Consumer Rights Commission of Pakistan, The Network)
Regulatory bodies	Consumer Rights Commission of Pakistan, Pakistan Environment Protection Agency and some NGOs such as the Network, Pakistan Renewable Energy Society and Pakistan Environmentalists Association
Auditors and Accountants	Big 4 auditors, and Accountants
Academicians	From universities with CSR courses as a part of their curriculum
Religious Clerics	Religious clerics with at least an undergrad/equivalent degree

## **Appendix 2: Interview Guide**

### **Section A**

- Do you believe that Pakistan faces similar social and environmental issues as in developed countries? How do the issues differ in the context of Pakistan?
- Who do you think is responsible for the provision of basic facilities for the citizens of the country?
- How far has the government been successful in the social development of the country?
- Do you think companies benefit or harm the society and environment it operates in?
- Do you think that companies have some sort of responsibility towards the society and environment? If yes, then what responsibilities do they have?
- Are you aware of the concept of corporate social responsibility reporting? If yes, what does it mean?
- Is it important for companies to communicate about their social and environmental contributions?
- Do you think companies exactly report what they do in terms of CSR? Why you think there is a discrepancy if any.
- What are your expectations from companies in terms of their reporting in annual reports?

### **Section B**

- Which dimension of CSR (community, environment, employees, energy, and product) according to you is more important to be addressed and disclosed? Why?
- In your opinion, what should be the main priorities pursued by Pakistani companies relating to CSR and CSR reporting?
- In your opinion, what should be the main priorities pursued by Pakistani companies relating to CSR reporting?
- Do you think the list of items contains irrelevant items? What are they? And why you think they are irrelevant?
- Do you expect the same kind of information disclosed by companies operating in different industries? Why or why not?

- Do you think smaller or bigger companies would report more on their social and environmental activities? Why?
- Who should disclose more about CSR, newly established, or old companies? Why?
- Do you expect companies audited by international auditing firms to disclose more about CSR? Why or why not?
- Do you think more profitable or less profitable would disclose more about social and environmental activities? Why?
- Companies with more debt would disclose more about their CSR contributions. Yes or No? Why?
- Do you think companies with more independent directors would have more CSRR? If yes, why?
- Do you think companies with a higher number of board members would have more CSRR? Why?
- Is it true that companies with more female directors would disclose more about CSR? Why?
- Do you think foreign-owned companies would have more CSRR? Why?
- Do you think state-owned or privately-owned corporations would provide more CSRR? Reasons?
- Do you think family-owned or dispersed ownership corporations would provide more CSRR? Why?

### **Section C**

Is there anything else that I might have missed and you feel that is important and should be included in the study?

**Concluding Words:** I am highly thankful to you for your participation in the study. I will be happy to share my final findings with you. Thank You

### Appendix 3: Interview Guide (Urdu Version)

#### انٹرویو گائیڈ

#### پہلا حصہ

کیا آپ کو لگتا ہے کہ ترقی یافتہ ممالک کی طرح پاکستان کو بھی اسی طرح کے سماجی اور ماحولیاتی مسائل کا سامنا ہے؟ یہ معاملات پاکستان کے تناظر میں کیسے مختلف ہیں؟

آپ کے خیال میں شہریوں کو زندگی کی بنیادی سہولیات کی فراہمی کس کا فرض ہے؟

حکومت ملک کی معاشرتی ترقی میں کس حد تک کامیاب رہی ہے؟

کیا آپ کو لگتا ہے کہ کارپوریٹ سیکٹر کی وجہ سے معاشرے اور ماحول کو فائدہ پہنچا یا اسے نقصان پہنچا ہے؟

کیا آپ کو لگتا ہے کہ معاشرے اور ماحول کی بہتری کارپوریٹ سیکٹر کی ذمہ داری ہے؟ اگر ہاں تو پھر ان کی کیا ذمہ داریاں ہیں؟

کیا آپ کارپوریٹ سماجی ذمہ داری (سی ایس آر) کی رپورٹنگ کے تصور سے واقف ہیں؟ اگر ہاں تو آپ کے خیال میں اس کا کیا مطلب ہے؟

کیا کارپوریٹ سیکٹر کے لئے اپنے معاشرتی اور ماحولیاتی اقدامات کے بارے میں رپورٹنگ کرنا ضروری ہے؟

کیا آپ کو لگتا ہے کہ کارپوریٹ سیکٹر اپنے سی ایس آر کے معاملے میں بالکل وہی رپورٹنگ دیتی ہیں جو وہ کرتے ہیں؟ اگر آپ کے خیال میں کوئی تضاد ہے تو کیوں ہے؟

کارپوریٹ سیکٹر سے آپ کی توقعات سی ایس آر رپورٹنگ کے لحاظ سے کیا ہیں؟

## دوسرا حصہ

آپ کے مطابق سی ایس آر کی کون سی کیٹگری ( برادری ، ماحولیات ، ملازمین ، توانائی ، اور مصنوعات زیادہ اہم ہے جس کی طرف توجہ دی جائے اور اس کی رپورٹنگ دی جائے؟ کیوں؟)

آپ کی رائے میں ، سی ایس آر اور سی ایس آر رپورٹنگ سے متعلق پاکستانی کارپوریٹ سیکٹر کی بنیادی ترجیحات کیا ہونی چاہئیں؟

کیا آپ کو لگتا ہے کہ انٹرنل کی فہرست میں غیر اہم اشیاء شامل ہیں؟ وہ کیا ہیں؟ اور آپ کیوں سمجھتے ہیں کہ وہ غیر اہم ہیں؟

کیا آپ مختلف صنعتوں میں کام کرنے والی کمپنیوں سے ایک ہی قسم کی معلوماتی رپورٹنگ کی توقع کرتے ہیں؟ کیوں یا کیوں نہیں؟

کیا آپ کو لگتا ہے کہ چھوٹی یا بڑی کمپنیاں اپنی سماجی اور ماحولیاتی سرگرمیوں پر مختلف اطلاع دیتے ہیں؟ اگر ہاں تو ، کیوں؟

کیا آپ کو لگتا ہے کہ نئی قائم کی گئی کمپنیاں یا پرانی کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی رپورٹنگ فراہم کریں گی؟ کیوں؟

کیا آپ کو لگتا ہے کہ بین الاقوامی اڈیٹنگ فرموں کے ذریعہ اڈٹ شدہ کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ اگر ہاں تو ، کیوں؟

آپ کے خیال میں منافع بخش اور کم منافع بخش کمپنیوں میں سے کون اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ اور کیوں؟

آپ کے خیال میں زیادہ قرض اور کم قرض والی کمپنیوں میں سے کون اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ وجوہات؟

کیا آپ کو لگتا ہے کہ زیادہ آزاد ڈائریکٹرز والی کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ اگر ہاں ، تو کیوں؟

کیا آپ کو لگتا ہے کہ بڑے بورڈ آف ڈائریکٹرز والی کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ اگر ہاں تو ، کیوں؟

کیا یہ سچ ہے کہ زیادہ خواتین ڈائریکٹرز والی کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کرتی ہیں؟ اگر ہاں تو ، کیوں؟

کیا آپ کو لگتا ہے کہ غیر ملکی ملکیت کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ اگر ہاں تو کیوں؟

کیا آپ کو لگتا ہے کہ سرکاری یا نجی ملکیت کی کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟  
وجوہات؟

کیا آپ کو لگتا ہے کہ خاندانی ملکیت والی کمپنیاں اعلیٰ سی ایس آر رپورٹنگ فراہم کریں گی؟ اگر ہاں تو  
کیوں؟

### تیسرا حصہ

کیا ایسی کوئی اور چیز ہے جس کے بارے میں آپ کو لگتا ہے کہ یہ اہم ہے اور اس کو مطالعہ میں شامل  
کرنا چاہئے؟

**اختتامی الفاظ:** مطالعہ میں آپ کی شرکت کے لئے میں آپ کا شکر گزار ہوں۔ مجھے اپنی تحقیق کے آخری  
نتائج آپ کے ساتھ بانٹ کر خوشی ہوگی۔ شکریہ

#### **Appendix 4: Guidelines/decision rules for assessors**

- Read and understand each CSRR category and item in the CSRR disclosure index.
- Read the annual report completely. Each company may have their information provided in different sections
- Discussions related to the director's activities should not be considered as a discussion on employees
- Disclosure items should be implicitly stated, however, words may change which should be considered as CSRR items
- A sentence with more than one CSRR items should be carefully read and decided to which item it mostly emphasizes on
- Any repeated disclosure item shall be considered as a separate sentence each time it is discussed

Adapted from Hackston & Milne, 1996 p. 108

## Appendix 5: List of Companies for Content Analysis

Company	Industry/sector	Market Cap <sup>62</sup> (000's)
Oil and Gas Company Limited	Oil & Gas Exploration	414,265,423.49
Pakistan Petroleum Limited	Oil & Gas Exploration	235,472,531.60
Pakistan Oilfields Limited	Oil & Gas Exploration	81,755,947.05
Mari Petroleum Company Limited	Oil & Gas Exploration	142,400,498.63
Attock Refinery Limited	Refinery	8,849,148.75
Pakistan State Oil Limited	Oil & Gas Marketing	68,012,596.97
Shell Pakistan Limited	Oil & Gas Marketing	14,286,146.06
Sui Southern Gas Company Limited	Oil & Gas Marketing	12,227,119.63
Sui Northern Gas Company Limited	Oil & Gas Marketing	31,368,356.30
Hascol Petroleum Limited	Oil & Gas Marketing	15,286,546.40
Pakistan Telecom Limited	Technology & Communication	29,927,820.00
TRG Pakistan Limited	Technology & Communication	9,751,585.09
Lafarge Pakistan Cement Limited	Cement	14,561,090.00
Fauji Cement Company Limited	Cement	132,223,710.62
Maple Leaf Cement Company Limited	Cement	27,645,374.66
D.G. Khan Cement Company Limited	Cement	34,791,037.49
Lucky Cement Limited	Cement	142,262,363.75
Pioneer Cement Limited	Cement	9,615,208.41
Engro Fertilizers Limited	Fertilizers	77,207,009.86
Fauji Fertilizer Company Limited	Fertilizers	132,223,710.62
Engro Corporation Limited	Fertilizers	169,760,734.09
Fauji Fertilizer Bin Qasim Limited	Fertilizers	13,890,215.70
Engro Polymer and Chemicals Limited	Chemicals	26,095,188.89
Lotte Chemical Pakistan Limited	Chemicals	15,974,885.96
Pakistan Tobacco Company Limited	Tobacco	426,419,138.85
Unity Foods Limited	Vanaspati & Allied	6,392,587.50
Ghani Glass Limited	Glass & Ceramics	24,288,188.53
Hub Power Company Limited	Power Generation & Distribution	100,075,461.96
Kot Addu Power Company Limited	Power Generation & Distribution	19,198,322.90
K-Electric Limited	Power Generation & Distribution	85,330,950.22
Engro Foods Limited	Food & Personal Care	40,115,972.60
Pak Electron Limited	Cable & Electrical Goods	11,362,068.30
Ibrahim Fibre Limited	Synthetic & Rayon	18,630,419.70
Nishat Mills Limited	Textile Composite	25,701,948.89
GlaxoSmithKline (Pakistan) Limited	Pharmaceuticals	27,851,949.63
The Searle Company Limited	Pharmaceuticals	39,147,853.38
Honda Atlas Cars (Pakistan) Limited	Automobile Assembler	21,939,792.00
Millat Tractors Limited	Automobile Assembler	20,175,300.00
Aisha Steel Mills Limited	Engineering	33,278,372.45

## Appendix 6: CSRR Index (Urdu Version)

<sup>62</sup> As on 19/04/2020, source Pakistan Stock Exchange Limited (2020)

<https://dps.psx.com.pk/>

اہمیت	CSRR items	
		<b>کمیونٹی</b>
اہم	مقامی کمیونٹی کے لئے اسپتالوں اور صحت کی دیکھ بھال کے مراکز کا قیام	1
اہم	یونیورسٹیوں ، کالجوں ، یا دیگر تعلیمی اداروں کا قیام	2
اہم	ہونہار یا / اور محتاج طلباء کو وظائف اور تعلیمی کفالت فراہم کرنا	3
اہم	جسمانی طور پر معذور طلباء کو وظائف فراہم کرنا	4
غیر جانبدار	تعلیمی کانفرنسوں اور سیمینار کا اہتمام کرنا	5
انتہائی اہم	زکوٰۃ کی شکل میں خیرات اور عطیات دینا	6
اہم	مقامی کمیونٹی کے لئے مہارت کی ترقی کے منصوبوں کا انعقاد	7
کم اہم	قومی اور بین الاقوامی کھیلوں اور ایونٹس کی سرپرستی کرنا	8
اہم	مقامی کمیونٹی کے لئے سڑکیں اور دیگر مقامات کی تعمیر	9
اہم	مقامی کمیونٹی کے لئے پارکوں اور دیگر تفریحی سہولیات کی تعمیر	10
اہم	طلباء کے لئے جزوقتی ملازمت کے مواقع پیدا کرنا	11
اہم	طلباء کے لئے سمر انٹرنشپ پروگراموں کا اہتمام کرنا	12
اہم	مقامی لوگوں کے لئے پینے کے صاف پانی کی سہولیات کی فراہمی	13
اہم	خواتین کے روزگار کو بڑھانے کے لئے کوٹہ سسٹم کو اپنانا	14
اہم	قدرتی آفات (جیسے سیلاب ، زلزلے وغیرہ) کی صورت میں مقامی کمیونٹیز کی مدد کرنا	15
اہم	جہیز اور / یا تیزاب سے متاثرہ افراد کو مدد فراہم کرنا	16
اہم	کمیونٹی کی ضروریات اور توقعات کا جائزہ لینے کے لئے مشترکہ فوکس گروپ ڈسکشن کا اہتمام کرنا	17
غیر جانبدار	عوامی خدمت کے اداروں کو مضبوط بنانے میں حکومت کو تعاون فراہم کرنا	18
اہم	مقامی کاروباری سرگرمیوں کو فروغ دینا	19
اہم	ورثہ اور قدیم مقامات کے تحفظ کی کوششیں	20
		<b>ماحولیات</b>
اہم	ماحولیاتی تحفظ کی پالیسی کا ہونا	21
اہم	اپنے کاروباری فیصلوں میں ماحولیاتی پہلوؤں کو شامل کریں	22
اہم	ری سائیکل شدہ خام مال کا استعمال کر کے ماحولیات کا تحفظ	23
اہم	فیکٹری میں ری سائیکلنگ پلانٹ کا ہونا	24
اہم	آلودگی پر قابو پانے کے لئے سہولیات اور آلات کی تنصیب کرنا	25
اہم	ہوا میں خطرناک گیسوں کے اخراج کی معلومات فراہم کرنا	26
اہم	گندے پانی کو ضائع کرنے کی معلومات فراہم کرنا	27
اہم	فضلہ ضائع کرنے کی معلومات فراہم کرنا	28
اہم	ماحول کو بچانے کے لئے کچرا مخالف مہموں میں حصہ لینا	29
اہم	ماحول کی حفاظت کے لئے نجی یا عوامی اقدامات کی کفالت کرنا	30
اہم	معاشرے میں ماحولیاتی تحفظ سے متعلق آگاہی کو فروغ دینا	31
غیر اہم	ماحولیاتی تحفظ کی کوششوں کے لئے ایوارڈ وصول کرنا	32
انتہائی اہم	درخت لگانے کے اقدامات	33
اہم	جنگلی حیات کی پالیسیاں اور جانوروں کی دیکھ بھال	34
		<b>ملازمین</b>
اہم	فیکٹریوں میں آلودگی اور مضر عناصر کے خاتمے کی کوششیں	35
اہم	ملازمین کے لئے حفاظت کی تربیت کا اہتمام کرنا	36
اہم	ملازمت کے دوران حفاظت کو بہتر بنانے کے لئے احتیاطی تدابیر	37
اہم	کام کے دوران ہونے والے حادثات اور زخمی ہونے کے بارے میں معلومات	38
اہم	بچوں کی مزدوری کو کم کرنے اور اس سے متعلقہ اقدامات اور کوششیں	39

40	ملازمین کے لئے معلوماتی سیمینار اور ورکشاپ کا اہتمام کرنا	غیر جانبدار
41	ملازمی کے لئے تفریحی پروگراموں (کھیلوں، دوروں، وغیرہ) کا اہتمام کرنا	غیر جانبدار
42	ملازمین کی تعلیم کی سرپرستی کرنا	اہم
43	ملازمین کی رہائش کی اسکیمیں	اہم
44	ملازمین اور ان کے اہل خانہ کو صحت کی سہولیات کی فراہمی	اہم
45	ملازمین کو پنشن فنڈز اور بونس فراہم کرنا	غیر جانبدار
46	غیر انتظامی ملازمین کے لئے اسٹاک آپشنز	غیر جانبدار
47	ملازمین کیلئے قرز حسانہ (بلا سود قرضوں) کی فراہمی	اہم
48	نماز کے لئے خصوصی وقفوں کی اجازت دینا	اہم
49	ڈریس کوڈ (مثال کے طور پر عبایا پہننے) میں خواتین ملازمین کو نرمی دینا	اہم
50	ملازمین کی بچوں کی دیکھ بھال کی سہولیات، زچگی اور زچگی کی چھٹی	اہم
51	صنف اور اقلیت پر مبنی اعدادوشمار کی فراہمی	غیر جانبدار
52	جسمانی طور پر معذور افراد کے لئے روزگار کی پالیسیاں	غیر جانبدار
53	مزدور سے متعلق قوانین کی تعمیل کے لئے پالیسیوں کا بیان	غیر اہم
54	اقلیتوں کے لئے کوٹہ سسٹم اپنانا	غیر جانبدار
55	منصفانہ اور شفاف بھرتی کی پالیسی کو بیان کرنا	غیر جانبدار
	<b>توانائی</b>	
56	توانائی کی بچت کی سہولیات لگا کر توانائی کی کھپت کو کم کرنے کی کوششیں	غیر جانبدار
57	کمپنی کی توانائی کے بچت کی پالیسیوں کے بارے میں معلومات فراہم کرنا	غیر جانبدار
58	کاروباری کاموں میں توانائی کے تحفظ کی کوششیں	غیر اہم
59	فضلہ مواد کو استعمال کر کے توانائی کی ضروریات کو پورا کرنا	غیر جانبدار
60	حکومت کو توانائی کی قلت کے بارے میں تشویش کا اظہار کرنا	غیر اہم
	<b>مصنوعات</b>	
61	مصنوعات بنانے، پیکیجنگ، اور لیبلنگ کے بارے میں معلومات	غیر جانبدار
62	مصنوعات کے معیار کو بہتر بنانے کے لئے R&D پروجیکٹس	اہم
63	مصنوعات کے معیار کو پورا کرنے کے بارے میں معلومات	غیر جانبدار
64	مصنوعات کی حفاظتی معیار کو پورا کرنا	غیر جانبدار
65	صارفین کی خدمات اور اعانت کی سرگرمیوں میں بہتری لانا	غیر جانبدار
66	مصنوعات کو استعمال کرتے وقت احتیاطی تدابیر کے بارے میں معلومات فراہم کرنا	کم اہم
67	مصنوعات کے نقصان دہ اثرات کے بارے میں معلومات فراہم کرنا	غیر جانبدار
68	مصنوعات کی حلال حیثیت کے بارے میں معلومات فراہم کرنا	انتہائی اہم
69	جعل ساز مصنوعات کے بارے میں شعور اجاگر کرنا	غیر جانبدار
70	اقلیتوں کی غذای ضروریات کے بارے میں معلومات فراہم کرنا	اہم

## Appendix 7: Survey Questionnaire

### Section 1: General Information

- a. Name: ..... (optional)
- b. Gender: Male/ Female (optional)
- c. Stakeholder Group .....
- d. Education .....
- e. Experience (in years) .....

### Section 2: Importance of Corporate Social Responsibility (CSR) items

The matrix below consists of several CSR items that companies are expected to disclose in their annual reports. Tick in the boxes for each of the item based on its significance.

The numbers are interpreted as follows:

- 1- Not important
- 2- Less important
- 3- Neutral
- 4- Important
- 5- Very important

	<b>Community</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Setting up hospitals and healthcare centers for the local community					
2	Making charities and donations in the form of Zakat					
3	Establishing universities, colleges, or other educational institutions					
4	Providing scholarships and academic sponsorship to meritorious or/and needy students					
5	Providing scholarships to physically challenged students					
6	Sponsoring educational conferences and seminars					
7	Organizing skill development projects for the local community					
8	Sponsoring national and international games and events					
9	Constructing roads and other infrastructures for the local community					
10	Constructing parks and other recreational facilities for the community					
11	Creating part-time job opportunities for students					
12	Arranging summer internship programs for students					
13	Clean drinking water facilities for the local people					
14	Quota system adopted to increase female employment rates					
15	Helping local communities when natural calamities occur (e.g. floods, earthquakes, etc.)					
16	Providing support to acid and/or dowry victims					

17	Joint focus group discussion /community engagement to review their needs and expectations					
18	Providing support to the government in strengthening public service institutions					
	<b>Environment</b>					
19	Having a corporate environmental protection policy					
20	Incorporate environmental concerns in their business decisions					
21	Environmental conservation by using recycled raw materials					
22	Having a recycling plant in the factory					
23	Installing facilities and equipment to control pollution					
24	Providing air emission information e.g. hazardous gases emitted					
25	Providing water disposal information					
26	Providing waste disposal information					
27	Participation in anti-litter campaigns to protect the environment					
28	Sponsoring private or public initiatives to protect the environment					
29	Promoting environmental awareness to the community through promotional tools					
30	Receiving awards for environmental protection efforts					
31	Tree plantation initiatives					
	<b>Employees</b>					
32	Efforts to eliminate pollutants and hazardous elements in the workplace					
33	Organizing safety training for employees					
34	Efforts to improve workplace safety					
35	Information about workplace accidents and injuries					
36	Efforts to reduce child labor and related actions					
37	Arranging informative seminars and workshops for employees					
38	Arranging recreational events for employees (sports, tours, etc.)					
39	Sponsoring education for employees					
40	Employee housing schemes					
41	Providing health facilities to employees and their families					
42	Pension funds and bonuses for employees					
43	Stock options for non-managerial employees					
44	Qarz Hassana (interest-free loans) for employees					
45	Allowing special breaks for prayers					
46	Relaxation of dress code for female employees (e.g. wearing abaya)					
47	Day-care facilities, maternity and paternity leave					
48	Providing information about the number of employees in the organization					
49	Providing gender and minority-based statistics					
50	Employment policies for physically challenged people					
51	Statements showing compliance with labor laws					
	<b>Energy</b>					
52	Efforts to reduce energy consumption by installing energy-saving facilities					

53	Disclosing the company's energy conservation policies					
54	Efforts to conserve energy in business operations					
55	Meeting energy needs by using waste materials as a source of energy					
56	Voicing concerns about energy shortages to the government					
	<b>Product</b>					
57	Information about product development, packaging, and labeling					
58	R&D projects to improve product quality					
59	Information about meeting quality standards					
60	The product meets current safety standards					
61	Improvement of customer services and support					
62	Information about precautionary measures while using the product					
63	Information about the side effects of the product, if any					
64	Information about the Halal status of the product					

**Please suggest any additional items you think should be added to the list**

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66						
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72						

**Thank You for your participation**

## Appendix 8: Pilot Test- Round One Results

			Company A		Company B		Company C		Company D		Company E	
	<sup>63</sup> Possible min.score	<sup>64</sup> Possible max.score	Coder 1	Coder 2								
<b>Community</b>												
Setting up hospitals and healthcare centers for the locals	4.1	20.5	8.2	12.3	12.3	16.4	8.2	4.1	12.3	8.2	12.3	16.4
Establishing Universities, colleges, or other educational inst.	3.9	19.5	11.7	11.7	15.6	11.7	11.7	7.8	7.8	11.7	15.6	19.5
Scholarships to meritorious or/and needy students	3.5	17.5	7	10.5	7	7	3.5	10.5	3.5	3.5	7	7
Providing scholarships to physically challenged students	4.2	21	8.4	12.6	8.4	8.4	4.2	12.6	12.6	12.6	8.4	12.6
Sponsoring educational conferences and seminars	2.9	14.5	5.8	8.7	8.7	5.8	2.9	5.8	8.7	5.8	8.7	5.8
Making charities and donations in the form of Zakat	4.5	22.5	9	18	18	13.5	13.5	9	9	9	18	13.5
Organizing skill development projects for the local community	4.0	20	12	12	8	4	8	8	16	16	8	4
Sponsoring national and international games and events	2.4	12	2.4	4.8	4.8	7.2	2.4	4.8	7.2	4.8	4.8	7.2
Constructing roads and other infrastructures for the locals	3.7	18.5	7.4	7.4	11.1	7.4	11.1	7.4	14.8	11.1	11.1	7.4
Constructing parks and other recreational facilities for the locals	3.7	18.5	7.4	7.4	7.4	7.4	11.1	7.4	11.1	14.8	7.4	7.4
Creating part-time job opportunities for the students	3.7	18.5	3.7	7.4	3.7	3.7	3.7	3.7	7.4	11.1	3.7	7.4
Arranging summer internship programs for the students	4.1	20.5	8.2	8.2	12.3	8.2	4.1	4.1	12.3	12.3	12.3	8.2
Clean drinking water facilities for the local people	4.2	21	12.6	12.6	16.8	12.6	8.4	8.4	8.4	8.4	16.8	12.6
Quota system adopted to increase women employability	3.8	19	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	11.4
Helping local communities in case of natural calamities	3.9	19.5	11.7	11.7	15.6	11.7	11.7	11.7	15.6	15.6	15.6	11.7
Providing support to acid and/or dowry victims	4.3	21.5	4.3	12.9	8.6	4.3	8.6	8.6	12.9	12.9	8.6	4.3
Community engagement to review their needs & expectations	3.8	19	3.8	7.6	11.4	15.2	3.8	3.8	3.8	3.8	11.4	15.2
Support to the government in strengthening public service inst.	3.1	15.5	9.3	9.3	12.4	12.4	3.1	3.1	9.3	9.3	12.4	12.4
Promote local business activities	3.7	18.5	7.4	11.1	7.4	7.4	3.7	3.7	11.1	11.1	7.4	7.4
Efforts to preserve heritage and ancient sites	4.2	21	4.2	4.2	12.6	12.6	8.4	8.4	12.6	12.6	12.6	8.4
<b>ENVIRONMENT</b>												
Having a corporate environmental protection policy	4.1	20.5	8.2	12.3	16.4	16.4	12.3	12.3	16.4	16.4	12.3	16.4
Incorporate environmental concerns in their business decisions	3.8	19	11.4	11.4	15.2	11.4	11.4	11.4	11.4	15.2	15.2	11.4
Environment conservation by using recycled raw materials	3.9	19.5	7.8	11.7	11.7	15.6	7.8	7.8	7.8	7.8	11.7	15.6
Having recycling plant in the factory	3.8	19	15.2	11.4	11.4	11.4	7.6	7.6	7.6	7.6	11.4	11.4

<sup>63</sup> Calculated as (weight assigned) x (minimum quality score, i.e. 1)

<sup>64</sup> Calculated as (weight assigned) x (maximum quality score, i.e. 5)

Installing facilities and equipment to control pollution	3.9	19.5	11.7	11.7	7.8	7.8	7.8	7.8	15.6	11.7	15.6	11.7
Providing air emission information e.g. hazardous gases emitted	3.8	19	15.2	11.4	11.4	11.4	7.6	7.6	7.6	3.8	11.4	15.2
Providing water disposal information	3.8	19	11.4	15.2	11.4	11.4	7.6	7.6	11.4	15.2	11.4	7.6
Providing waste disposal information	3.7	18.5	7.4	11.1	11.1	11.1	7.4	11.1	14.8	14.8	18.5	14.8
Participation in anti-litter campaigns to protect the environment	3.7	18.5	11.1	11.1	14.8	11.1	3.7	3.7	7.4	7.4	14.8	11.1
Sponsoring private or public initiatives to protect the environment	3.5	17.5	7	7	10.5	14	3.5	3.5	10.5	10.5	7	7
Promoting environmental awareness to the community	3.3	16.5	6.6	3.3	9.9	9.9	6.6	3.3	13.2	13.2	9.9	9.9
Receiving awards for environmental protection efforts	1.5	7.5	6	6	7.5	6	1.5	4.5	6	4.5	4.5	4.5
Tree plantation initiatives	4.6	23	13.8	18.4	18.4	18.4	9.2	9.2	13.8	18.4	13.8	9.2
Wild life policies and animal care	3.7	18.5	3.7	3.7	7.4	7.4	3.7	3.7	11.1	11.1	11.1	7.4
<b>EMPLOYEE</b>												
Eliminating pollutants and hazardous elements in the workplace	4.2	21	12.6	8.4	12.6	12.6	8.4	12.6	8.4	4.2	12.6	12.6
Organizing safety training for the employees	3.8	19	11.4	11.4	11.4	11.4	7.6	11.4	11.4	11.4	15.2	11.4
Efforts to improve on-job work safety	4.0	20	12	8	8	8	8	4	12	12	12	8
Information about on-job accidents and injuries	3.6	18	14.4	14.4	18	14.4	7.2	3.6	10.8	14.4	7.2	3.6
Efforts to reduce child labor and related actions	4.0	20	12	12	12	12	4	4	16	12	4	8
Arranging informative seminars and workshops for the employees	3.4	17	6.8	3.4	13.6	10.2	6.8	6.8	10.2	13.6	10.2	10.2
Arranging recreational events for employees (sports, tours, etc.)	3.1	15.5	6.2	6.2	9.3	6.2	6.2	6.2	9.3	9.3	9.3	6.2
Sponsoring employees education	3.5	17.5	7	7	7	3.5	3.5	3.5	17.5	14	7	3.5
Employees housing schemes	3.5	17.5	3.5	3.5	3.5	7	3.5	3.5	14	14	3.5	7
Providing health facilities to employees and their families	3.7	18.5	7.4	7.4	11.1	11.1	7.4	3.7	7.4	7.4	11.1	14.8
Pension funds and bonuses for the employees	3.3	16.5	9.9	6.6	9.9	9.9	6.6	6.6	9.9	9.9	9.9	9.9
Stock options for the non-managerial employees	2.6	13	2.6	2.6	2.6	5.2	2.6	2.6	7.8	7.8	2.6	5.2
Qarz Hassana (interest-free loans) for the employees	3.8	19	3.8	11.4	3.8	7.6	3.8	7.6	3.8	3.8	3.8	7.6
Allowing special breaks for prayers	4.0	20	8	4	12	8	4	4	8	8	12	8
Relaxation to female employees in dress code (e.g. wearing abaya)	4.0	20	4	4	8	8	4	4	12	12	8	8
Daycare facilities, maternity and paternity leave	3.8	19	11.4	7.6	15.2	15.2	11.4	7.6	3.8	7.6	15.2	15.2
Quota system adopted for the minorities	2.9	14.5	2.9	2.9	5.8	5.8	2.9	2.9	2.9	5.8	5.8	5.8
Providing Gender and minority based statistics	3.4	17	13.6	13.6	10.2	10.2	6.8	6.8	6.8	3.4	10.2	10.2
Employment policies for physically challenged people	3.2	16	6.4	6.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	6.4
Statements showing compliance to the labor laws	1.4	7	2.8	2.8	4.2	2.8	4.2	4.2	4.2	2.8	4.2	2.8
Discussion on fair and transparent recruitment policy	3.0	15	9	9	9	9	3	3	3	3	9	12
<b>ENERGY</b>												
Reducing energy consumption by installing energy-saving facilities	3.4	17	13.6	6.8	13.6	13.6	10.2	10.2	13.6	13.6	13.6	13.6
Disclosing the company's energy conservation policies	3.0	15	9	9	9	9	6	6	6	6	9	6
Efforts to conserve energy in business operations	3.7	18.5	11.1	11.1	11.1	11.1	7.4	7.4	7.4	7.4	11.1	11.1

Meeting energy needs using waste materials as a source of energy	3.1	15.5	3.1	9.3	6.2	6.2	3.1	3.1	9.3	9.3	6.2	6.2
Voicing concerns about energy shortages to the government	3.6	18	3.6	3.6	7.2	7.2	3.6	7.2	3.6	7.2	7.2	7.2
<b>PRODUCT</b>												
Information about product development, packaging, and labeling	3.2	16	6.4	6.4	9.6	9.6	3.2	3.2	3.2	3.2	9.6	9.6
R&D projects to improve product quality	3.7	18.5	14.8	7.4	14.8	14.8	7.4	7.4	7.4	7.4	14.8	14.8
Information about meeting quality standards	3.3	16.5	6.6	6.6	6.6	9.9	3.3	3.3	3.3	6.6	6.6	9.9
Information about meeting safety standards	2.7	13.5	5.4	5.4	5.4	5.4	2.7	2.7	2.7	8.1	2.7	8.1
Improvement of customers services and support	2.5	12.5	2.5	2.5	2.5	2.5	2.5	5	5	5	2.5	5
Information about precautionary measures while using the product	2.3	11.5	2.3	4.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Information about the side effects of the product, if any	2.5	12.5	2.5	2.5	2.5	2.5	2.5	2.5	5	7.5	2.5	5
Information about the Halal status of the product	4.6	23	13.8	9.2	13.8	13.8	9.2	4.6	9.2	4.6	9.2	4.6
Awareness about counterfeit production market	3.2	16	6.4	3.2	6.4	6.4	3.2	6.4	3.2	6.4	3.2	6.4
Minorities' needs for dietary requirements	3.5	17.5	3.5	7	3.5	3.5	3.5	3.5	7	3.5	3.5	3.5

## Appendix 9: Pilot Test- Round Two Results

			Company A		Company B		Company C		Company D		Company E	
	<sup>65</sup> Possible min.score	<sup>66</sup> Possible max.score	Coder 1	Coder 2								
<b>Community</b>												
Setting up hospitals and healthcare centers for the locals	4.1	20.5	12.3	12.3	12.3	16.4	8.2	8.2	12.3	12.3	16.4	16.4
Establishing Universities, colleges, or other educational inst.	3.9	19.5	11.7	11.7	15.6	15.6	7.8	7.8	7.8	11.7	15.6	15.6
Scholarships to meritorious or/and needy students	3.5	17.5	10.5	10.5	7	7	10.5	10.5	3.5	3.5	7	7
Providing scholarships to physically challenged students	4.2	21	12.6	12.6	8.4	8.4	12.6	12.6	12.6	12.6	12.6	12.6
Sponsoring educational conferences and seminars	2.9	14.5	8.7	8.7	8.7	5.8	5.8	5.8	8.7	8.7	8.7	8.7
Making charities and donations in the form of Zakat	4.5	22.5	9	9	13.5	13.5	13.5	13.5	9	9	18	18
Organizing skill development projects for the local community	4.0	20	12	12	8	8	8	8	16	16	12	12
Sponsoring national and international games and events	2.4	12	4.8	4.8	7.2	7.2	4.8	4.8	7.2	7.2	7.2	7.2
Constructing roads and other infrastructures for the locals	3.7	18.5	7.4	7.4	11.1	11.1	7.4	7.4	14.8	14.8	11.1	11.1
Constructing parks and other recreational facilities for the locals	3.7	18.5	7.4	7.4	11.1	11.1	7.4	7.4	11.1	11.1	7.4	7.4
Creating part-time job opportunities for the students	3.7	18.5	3.7	7.4	3.7	3.7	3.7	3.7	7.4	7.4	7.4	7.4
Arranging summer internship programs for the students	4.1	20.5	8.2	8.2	12.3	8.2	4.1	4.1	12.3	12.3	12.3	8.2
Clean drinking water facilities for the local people	4.2	21	12.6	12.6	16.8	16.8	8.4	8.4	8.4	8.4	12.6	12.6
Quota system adopted to increase women employability	3.8	19	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	11.4	11.4
Helping local communities in case of natural calamities	3.9	19.5	11.7	11.7	15.6	15.6	11.7	11.7	15.6	15.6	11.7	11.7
Providing support to acid and/or dowry victims	4.3	21.5	8.6	12.9	8.6	8.6	8.6	8.6	12.9	12.9	8.6	8.6
Community engagement to review their needs & expectations	3.8	19	7.6	7.6	15.2	15.2	3.8	3.8	3.8	3.8	11.4	11.4
Support to the government in strengthening public service inst.	3.1	15.5	9.3	9.3	12.4	12.4	3.1	3.1	9.3	9.3	12.4	12.4
Promote local business activities	3.7	18.5	7.4	11.1	7.4	7.4	3.7	3.7	11.1	7.4	7.4	7.4
Efforts to preserve heritage and ancient sites	4.2	21	4.2	4.2	12.6	12.6	8.4	8.4	12.6	12.6	12.6	12.6
<b>ENVIRONMENT</b>												
Having a corporate environmental protection policy	4.1	20.5	8.2	8.2	16.4	16.4	12.3	12.3	16.4	16.4	12.3	12.3
Incorporate environmental concerns in their business decisions	3.8	19	11.4	11.4	15.2	15.2	11.4	11.4	11.4	11.4	15.2	11.4
Environment conservation by using recycled raw materials	3.9	19.5	11.7	11.7	15.6	15.6	7.8	7.8	7.8	7.8	11.7	15.6
Having recycling plant in the factory	3.8	19	15.2	11.4	11.4	11.4	7.6	7.6	7.6	7.6	11.4	11.4
Installing facilities and equipment to control pollution	3.9	19.5	11.7	11.7	7.8	7.8	7.8	7.8	15.6	15.6	15.6	15.6
Providing air emission information e.g. hazardous gases emitted	3.8	19	15.2	11.4	11.4	11.4	7.6	7.6	7.6	7.6	15.2	15.2

<sup>65</sup> Calculated as (weight assigned) x (minimum quality score, i.e. 1)

<sup>66</sup> Calculated as (weight assigned) x (maximum quality score, i.e. 5)

Providing water disposal information	3.8	19	11.4	15.2	11.4	11.4	7.6	7.6	11.4	11.4	11.4	11.4
Providing waste disposal information	3.7	18.5	7.4	11.1	11.1	11.1	7.4	7.4	14.8	11.1	14.8	14.8
Participation in anti-litter campaigns to protect the environment	3.7	18.5	11.1	11.1	11.1	11.1	3.7	3.7	7.4	7.4	11.1	11.1
Sponsoring private or public initiatives to protect the environment	3.5	17.5	7	7	10.5	10.5	3.5	3.5	10.5	10.5	7	7
Promoting environmental awareness to the community	3.3	16.5	6.6	6.6	9.9	9.9	6.6	6.6	13.2	13.2	9.9	9.9
Receiving awards for environmental protection efforts	1.5	7.5	6	6	6	6	3	3	6	6	4.5	4.5
Tree plantation initiatives	4.6	23	18.4	18.4	18.4	18.4	9.2	9.2	13.8	13.8	13.8	13.8
Wild life policies and animal care	3.7	18.5	3.7	3.7	7.4	7.4	3.7	3.7	11.1	11.1	7.4	7.4
<b>EMPLOYEE</b>												
Eliminating pollutants and hazardous elements in the workplace	4.2	21	12.6	12.6	12.6	12.6	8.4	8.4	8.4	8.4	12.6	12.6
Organizing safety training for the employees	3.8	19	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	15.2	15.2
Efforts to improve on-job work safety	4.0	20	12	12	8	8	8	4	12	12	12	8
Information about on-job accidents and injuries	3.6	18	14.4	14.4	14.4	14.4	7.2	7.2	10.8	10.8	7.2	7.2
Efforts to reduce child labor and related actions	4.0	20	12	12	12	12	4	4	16	16	8	8
Arranging informative seminars and workshops for the employees	3.4	17	6.8	6.8	13.6	10.2	6.8	6.8	10.2	10.2	10.2	10.2
Arranging recreational events for employees (sports, tours, etc.)	3.1	15.5	6.2	6.2	9.3	6.2	6.2	6.2	9.3	9.3	9.3	9.3
Sponsoring employees education	3.5	17.5	7	7	7	7	3.5	3.5	17.5	17.5	7	3.5
Employees housing schemes	3.5	17.5	3.5	3.5	10.5	10.5	3.5	3.5	14	14	7	7
Providing health facilities to employees and their families	3.7	18.5	7.4	7.4	11.1	11.1	7.4	3.7	7.4	7.4	14.8	14.8
Pension funds and bonuses for the employees	3.3	16.5	9.9	9.9	9.9	9.9	6.6	6.6	9.9	9.9	9.9	9.9
Stock options for the non-managerial employees	2.6	13	2.6	2.6	2.6	5.2	2.6	2.6	7.8	7.8	5.2	5.2
Qarz Hassana (interest-free loans) for the employees	3.8	19	7.6	7.6	7.6	7.6	11.4	11.4	3.8	3.8	7.6	7.6
Allowing special breaks for prayers	4.0	20	8	8	12	12	4	4	8	8	12	8
Relaxation to female employees in dress code (e.g. wearing abaya)	4.0	20	4	4	8	8	4	4	12	12	8	8
Daycare facilities, maternity and paternity leave	3.8	19	11.4	11.4	15.2	15.2	11.4	7.6	3.8	3.8	15.2	15.2
Quota system adopted for the minorities	2.9	14.5	2.9	2.9	5.8	5.8	2.9	2.9	2.9	2.9	5.8	5.8
Providing Gender and minority based statistics	3.4	17	13.6	13.6	10.2	10.2	6.8	6.8	6.8	6.8	10.2	10.2
Employment policies for physically challenged people	3.2	16	6.4	6.4	3.2	3.2	3.2	3.2	3.2	3.2	6.4	6.4
Statements showing compliance to the labor laws	1.4	7	2.8	2.8	4.2	2.8	4.2	4.2	4.2	4.2	4.2	2.8
Discussion on fair and transparent recruitment policy	3.0	15	9	9	9	9	3	3	3	3	9	12
<b>ENERGY</b>												
Reducing energy consumption by installing energy-saving facilities	3.4	17	10.2	6.8	13.6	13.6	10.2	10.2	13.6	13.6	13.6	13.6
Disclosing the company's energy conservation policies	3.0	15	9	9	9	9	6	6	6	6	9	6
Efforts to conserve energy in business operations	3.7	18.5	11.1	11.1	11.1	11.1	7.4	7.4	7.4	7.4	11.1	11.1
Meeting energy needs using waste materials as a source of energy	3.1	15.5	6.2	9.3	6.2	6.2	3.1	3.1	9.3	9.3	6.2	6.2
Voicing concerns about energy shortages to the government	3.6	18	3.6	3.6	7.2	7.2	3.6	7.2	3.6	3.6	7.2	7.2

<b>PRODUCT</b>												
Information about product development, packaging, and labeling	3.2	16	6.4	6.4	9.6	9.6	3.2	3.2	3.2	3.2	9.6	9.6
R&D projects to improve product quality	3.7	18.5	11.1	7.4	14.8	14.8	7.4	7.4	7.4	7.4	14.8	14.8
Information about meeting quality standards	3.3	16.5	6.6	6.6	6.6	9.9	3.3	3.3	3.3	3.3	6.6	9.9
Information about meeting safety standards	2.7	13.5	5.4	5.4	5.4	5.4	2.7	2.7	2.7	2.7	5.4	5.4
Improvement of customers services and support	2.5	12.5	2.5	2.5	2.5	2.5	2.5	5	5	5	5	5
Information about precautionary measures while using the product	2.3	11.5	4.6	4.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Information about the side effects of the product, if any	2.5	12.5	2.5	2.5	2.5	2.5	2.5	2.5	5	5	5	5
Information about the Halal status of the product	4.6	23	9.2	9.2	13.8	13.8	9.2	4.6	9.2	9.2	9.2	4.6
Awareness about counterfeit production market	3.2	16	3.2	3.2	6.4	6.4	3.2	3.2	3.2	3.2	3.2	6.4
Minorities' needs for dietary requirements	3.5	17.5	3.5	3.5	3.5	3.5	3.5	3.5	7	7	3.5	3.5

### Appendix 10: Multicollinearity Diagnostics: Correlation Matrix

	Size	Le v	Profit	Age	Audt	Indst	B_siz e	Ind_d ir	Wom _dir	For_o wn	Fam_o wn	Govt_ ow.n
Size	1											
Lev.	0.08	1										
Profit	-1.69	- 0.09	1									
Age	0.34	- 0.12	0.08	1								
Audit	0.21	0.10	0.15	-0.10	1							
Indst	0.22	0.11	-0.00	0.16	0.43	1						
B_size	0.27	0.26	-0.05	0.14	0.17	0.07	1					
Ind_dir	0.32	0.01	0.06	-0.01	0.19	0.18	0.12	1				
Wom_dir	0.28	- 0.08	-0.04	-0.07	0.76	0.24	-0.06	0.25	1			
For_own	-0.23	0.07	-0.06	0.19	0.09	0.12	-0.10	-0.30	-0.13	1		
Fam_own	-0.25	- 0.05	0.14	-0.03	-0.43	-0.14	-0.22	-0.10	0.10	-0.31	1	
Govt_ow	0.09	0.01	-0.03	0.19	0.09	0.15	0.46	-0.19	0.03	0.01	-0.19	1

### Appendix 11: Multicollinearity Diagnostics: Variance Inflation Factor

Minimum possible value=1.0	
Multi Co-linearity may exist when VIF> 10	
Size	2.06
Leverage	1.21
Profitability	1.20
Age	1.69
Audit type	1.76
Industry	1.49
Boardsize	1.64
Inndirectors	1.42
Womendirectors	1.40
Foreignownership	1.67
Familyownership	1.78
Governmentownership	1.56

## Appendix 12: Ethics Approval

**WAIKATO MANAGEMENT SCHOOL**  
TE RAUPAPA

Waikato Management School  
The University of Waikato  
Private Bag 3105  
Hamilton 3240  
New Zealand

Amanda Sircombe  
WMS Research Office  
Phone +64 7 838 4376  
Email [amandas@waikato.ac.nz](mailto:amandas@waikato.ac.nz)  
[www.management.ac.nz](http://www.management.ac.nz)



Muhammad Taimur  
4 Kingroyal Lane  
Hamilton East, Hamilton 3216

13 June 2021

Dear Muhammad

*Ethical Application WMS 19/31*  
*Corporate Social Responsibility Reporting: Towards a Framework for Pakistan*

The above research project, as outlined in your submitted application, has been granted Ethics Approval for Research by the Waikato Management School Human Research Ethics Committee.

Please note: should you make changes to the project outlined in the approved ethics application, you may need to reapply for ethics approval.

Best wishes for your research.

Regards,

*Lori Jervis*

Lori Jervis for  
Amanda Sircombe  
Research Manager

## *Participant Information Sheet*



THE UNIVERSITY OF  
**WAIKATO**  
*Te Whare Wānanga o Waikato*

**1. Title of the research**

Corporate Social Responsibility Reporting: Towards a Framework for Pakistan

**2. Researcher's name and contact information**

Name: Muhammad Taimur

Address: School of Accounting, Finance and Economics, University of Waikato,

Hamilton, New Zealand

Email Address: [mtaimur4@hotmail.com](mailto:mtaimur4@hotmail.com) or  
[mt332@students.waikato.ac.nz](mailto:mt332@students.waikato.ac.nz)

Mob. +64 22 4250198

**3. Supervisor's name and contact information**

Name: Professor Howard Davey

Address: School of Accounting, Finance and Economics, University of Waikato,

Hamilton, New Zealand

Email Address: [Howard.davey@waikato.ac.nz](mailto:Howard.davey@waikato.ac.nz)

Telephone number: +64 7 838 4441

**4. Information related to the interview:**

**Outline of the research study**

The research aims to develop a CSRR framework for Pakistan based on the perspectives of the context specific stakeholders. This includes a CSR disclosure index, which incorporates all the elements/items, which the stakeholders consider important to be the part of CSR programs and reported in the annual reports of listed firms. Further, the research would evaluate the quality and quantity of CSRR based on the disclosure index constructed through stakeholders' consultation. The resulting framework might benefit regulatory authorities (e.g. Securities and Exchange Commission of Pakistan, CSR Centre Pakistan) in formulating CSR related policies and guidelines. Further, corporations, NGOs and researchers may also use the CSRR framework in designing their CSR strategies and policies, and in future research respectively.

### **Purpose of the data collection**

This study is conducted as a requirement for PhD in Accounting at the University of Waikato, New Zealand. In order to conduct this study, the researcher is required to collect data using mixed methods, where interviews is one form of the data collection technique.

### **Targeted interview**

The researcher wants you to complete a questionnaire and weight items included in the preliminary CSRR disclosure index. The researcher will then want to interview you that would approximately take one hour. In order to minimize any error in recording the response, the interview will be recorded after you provide a consent to audiotape the interview.

## **5. Confidentiality**

The researcher assures that any data/information you provide will be confidential to the researcher and the research supervisors. No identifying information will be used during the study or any publications resulting from the study. Your identity will remain anonymous in the research report and publications.

## **6. What will happen to the information collected?**

The researcher will use the information collected to write a research thesis in order to gain PhD in Accounting. The researcher aims to publish articles and present it in different conferences. The information remains confidential, and accessed by the researcher and his supervisors, only for academic purposes. The information (voice recordings, transcripts and questionnaire responses) would be stored on a password-protected computer, until the successful examination of the thesis and subsequent articles published in journals. Afterwards, the data would be destroyed. Your identity will be anonymous throughout the study and your real name will not be revealed in any publications resulting from the research.

## **7. Declaration**

The researcher believes that no chances of any conflict of interest between you and the researcher will occur. However, in any such situation you have the right to:

- Refuse to answer any particular question, and to withdraw from the study within 30 days after conducting the interview. You may withdraw from the study by notifying the researcher through his email address.
- Ask any further questions about the study that occurs to you during your participation.

In addition, you will be given access to summary of findings from the study after the thesis is successfully examined. The researcher would email a copy of the summary, once you request for summary through his email provided above.

If you have any questions or concerns about the project, either now or in the future, please feel free to contact the researcher.

## Appendix 14: Consent Form

### *Consent Form for Participants*



**Research title:** Corporate Social Responsibility Reporting: Towards a Framework for Pakistan

#### **Consent Form for Participants**

I have read the Participant Information Sheet for this study sent by Muhammad Taimur and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study within 30 days after conducting interview, or to decline to answer any particular questions in the study. I understand I can withdraw any information I have provided up until the researcher has commenced analysis on my data. I agree to provide information to the researchers under the conditions of confidentiality set out on the Participant Information Sheet.

I agree to participate in this study under the conditions set out in the Participant Information Sheet of the study sent by Muhammad Taimur. I further agree my responses to be voice recorded for the purpose of the research analysis. I can be contacted again through email, in case the study requires that.

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

#### **Researcher's name and contact information**

Name: Muhammad Taimur

Address: School of Accounting, Finance and Economics, University of Waikato, Hamilton, New Zealand

Email Address: [mtaimur4@hotmail.com](mailto:mtaimur4@hotmail.com) or [mt332@students.waikato.ac.nz](mailto:mt332@students.waikato.ac.nz)

Mob. +64 22 4250198

Supervisor's name and contact information

#### **Name: Professor Howard Davey**

Address: School of Accounting, Finance and Economics, University of Waikato, Hamilton, New Zealand

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