
UNIT 1 CSR LEGISLATION IN OTHER COUNTRIES

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1.1 INTRODUCTION

Globally, corporate entities are increasingly being recognized as important stakeholders in the pursuit of development. While decades ago, corporates were considered to be responsible singularly for bringing in industrial progress through creating employment and strengthening markets, calamities such as the Bhopal gas tragedy jeopardizing human existence have diverted the attention to recognizing corporate entities to invest and function socially and responsibly. With the advent of globalization, businesses are seen as playing an active role in the sustenance and improvement of healthy ecosystems, in fostering social inclusiveness and equity and in upholding ethical practices and good governance (Satyendra, 2014). Corporate social responsibility (CSR) therefore, is an important constituent of the global development agenda as the interplay of corporate entities and societies is tightly knitted and important for holistic progress. Different countries have different ways of application of CSR. In this unit we will discuss about the CSR legislations across the globe.

After reading this unit you should be able to:

- Discuss the rationale for regional variation in CSR legislation globally
- Describe the CSR legislation in Europe, East Asia, The Americas, Middle East and Africa, and Australia

1.2 CSR IN THE GLOBAL CONTEXT

CSR, as understood in common parlance, is the way through which a company achieves a balance of economic, environmental and social imperatives, while addressing the expectations of its shareholders and stakeholders. Transformation in consumer behavior over time has led corporate entities to project a socially responsible image in order to ensure positive public relations. With consumers being more educated and informed, corporates are increasingly aspiring to

implement CSR initiatives that are sustainable and socially impactful. Thus, the practice of CSR has become an essential requirement than an option.

The approach followed in a particular country is determined by the array of problems a country faces. The issues that take dominance in a particular region guide the practice of CSR. What may be relevant in one region may be of little or no significance in another. Typically, in the under developed world, issues such as poverty, illiteracy, poor health and sanitation, absence of clean water and electricity, fraud and bribery take dominance while issues such as global warming, terrorism, corporate and individual philanthropy, CO₂ emission reduction might be affecting all nations but are prioritized and publicized more by industrialized ones (Idowu and Filho, 2009). Resultantly, the legislative framework around CSR also ropes in regional idiosyncrasies and therefore, is different for different geographical regions. Alongside, there are standardized measures of CSR practice that are being propagated globally, a snapshot of which is provided in Box 1. Although, the primary mandate of CSR practice is guided by the CSR legislation applicable to a particular country, these measures are finding space in reporting CSR initiatives and streamlining them with the global development mandate.

Box 1: CSR Reporting and Standardization Frameworks

The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption. Under the Global Compact, companies are brought together with UN agencies, labour groups and civil society. It is deemed to be one of the most referred to and followed guidelines across the world for businesses and companies with regard to their CSR rules (United Nations Global Compact, 2014).

Another such globally acclaimed initiative is the Global Reporting Initiative (GRI) that supports and guides businesses, governments and other organizations in perceiving, understanding and communicating the impact of business on major, critical sustainability issues. In pursuit of this mission, GRI has pioneered sustainability reporting since the late 1990s, transforming it from a niche practice to a practice embraced today by a growing majority of organizations. GRI provides the world's most widely used standards on sustainability reporting, enabling businesses, governments, civil society and citizens to make better, sustainable decisions based on information that matters (GRI, 2015).

The Organization for Economic Co-operation and Development (OECD) is a group of 30 democracies that work together to address the economic, social and environmental challenges of globalization. The OECD Guidelines for Multinational Enterprises provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The Guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises (OECD, 2008).

Box 2: ISO 26000

ISO 26000 is an International Standard giving guidance/recommendations about how any organization can improve its Social Responsibility and thus contribute to sustainable environmental, social and economic development. The core content of the standard comprises of

- i) Seven principles;
- ii) Seven core subjects and their related issues; and
- iii) Stakeholder engagement.

Check Your Progress 1

Note: a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

- 1) Why is CSR important for bringing about development in a country?

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- 2) Is the practice of CSR similar or different across geographies? If no, why?

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1.3 CSR LEGISLAION IN EUROPE

CSR has been an important instrument for the European Union (EU) in paving the path towards sustainable development, innovation and competitiveness in EU’s social market economy. In this context, sustainable and responsible European enterprises are strongly promoted by the European Commission (EC) through CSR (EC, 2008). Also, CSR is indicated to reinforce the development of new markets and opportunities for growth and innovation because it requires enterprises to carefully follow changing social expectations and ensure consumer trust through adopting new sustainable business models (EC, 2011, 3). The EU, since the 1990s, has been aware of the importance of CSR as part of its sustainable development strategy, deeming CSR to be an attempt to improve companies’ accountability to public institutions and citizens. In this regard, EU strongly encourages the effective implementation of CSR in European enterprises as a crucial push factor that contributes to the EU’s Europe 2020 strategy, aiming for sustainable development through smart, sustainable and inclusive growth. Apart from much debated concepts of CSR in literature, the European Commission, a very active actor in the development of public policy to promote CSR, in its

2001 Communication defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EC, 2001). As Türker and Altunta (2012) state, through this definition, EU identified CSR as a voluntary action rather than a compulsory framework. However, in February 2014, the European Council and the European Commission reached an agreement that guarantees that the agreed upon European directive on corporate social responsibility will require all publicly traded companies with more than 500 employees to report their performance on a number of non-financial metrics every year. Specifically, companies will be required to provide “relevant and useful information” concerning their human rights impacts, environmental performance, anti-corruption measures, and diversity programmes in their annual reports (Krishnamurthy, 2014). These reports are to be based on recognized CSR frameworks such as the U.N. Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The measures mentioned here are expected to make significant changes to the legislative framework in the European Union.

Delving into the micro picture, however, yields that the cultural, economic and demographic diversity across the European continent shapes the interaction between business and society. Many countries in the European Union have traditionally practiced CSR. While some have evolved from the realization that businesses can contribute to societal well-being, several have been driven from external pressures from civil society and consumers. The Global Education Research Network (2009) explicates that in Western Europe, the welfare state system that evolved in the second half of the 20th century emphasized the role of the state as the primary provider of welfare while companies were designated to fulfill societal obligations by complying with laws, paying taxes and providing employment. In recent times however, economic and socio political factors have redefined the boundaries between public and private sector with more attention being placed on the voluntary actions companies take as part of their CSR to manage their economic, social and environmental impacts. In Central and Eastern Europe, companies are the primary agents of change and the public sector and civil society has been comparatively inactive. Being a stable region, the issues and challenges related to CSR in Europe differ from the ones faced by the less developed regions. While there could be several social responsibilities that are voluntary activities for corporate entities around the world, in Europe, they are legally defined. The following sub sections briefly outline the CSR legislations in European countries.

1.3.1 Austria

The social market economy of Austria is highly regulated with numerous environmental, labor and social protection laws that set maximum business standards. The 1966 Companies Act of Austria emphasized how a corporation must extend its benefits beyond its shareholders to the wider public. This was followed by the Austrian government adopting the joint sustainability strategy in 2002 with the aim of integrating social, economic and environmental spheres (CSR Europe, 2010). A variety of stakeholders including the private sector, government and civil society fall in the ambit of the strategy. There is no legal framework stipulating CSR reporting apart from CSR guiding vision of 2009 that recommends it (Ibid, 2009).

1.3.2 Belgium

Highly productive and skilled workforce, high gross national product and high per capita exports characterize the industrialized economy of Belgium. Belgium has three regions, each with various initiatives on CSR. The law on 'Coordination of the federal policy for sustainable development' of 1997 at the national level defines the framework of the strategies to be followed with six priority areas translated in 31 actions of which the 31st is for CSR. It was only in 2006 that the federal action plan for CSR in Belgium was developed to implement the 31st action. The objective of the action plan is to promote CSR in Belgium and stimulate companies to integrate it in their management. The action plan however does not obligate companies to follow provisions. Instead, it is recommendatory (Ibid, 2010).

1.3.3 Croatia

The democratic union of Croatia is grappling with persistent decrease in its GDP. Till date, there is no CSR legislation in Croatia. However, a sustainable development strategy has recently been drafted which will most likely give rise to higher benefits to companies through the support of CSR related programmes. For now, there is no regulation with respect to reporting of CSR and SD initiatives (Ibid, 2010). However, this is expected to change in the wake of UNGCN regulations.

1.3.4 Czech Republic

The Czech Republic has multiple policies and provisions related to CSR, the most important being National Labor Code, Consumer Protection Law, Law on General Product Safety and Environmental Law. The National Quality Policy adopted by the government in the year 2000 includes CSR as a priority (Ibid, 2010). No legislation exists that obliges companies to report on their CSR activities. The main CSR related priorities are environment, wellbeing and philanthropy.

1.3.5 Finland

Finland does not have a legislation specific to CSR. Although, there are laws that cover many areas of CSR such as social, consumer rights, labor, educational and environmental aspects. CSR reporting is also not mandatory. Of late, companies are using global frameworks such as UNGCN, OECD and GRI guidelines to plan, communicate and engage stakeholders in their CSR initiatives (Ibid, 2009).

1.3.6 France

France has almost a dozen significant legal texts on the application of CSR in the country. It began with the law on social reporting in 1977 that mentioned companies to provide social reports without mentioning the word CSR (Harribey, 2009). It was in 2001 that the NRE law (*Nouvelles Regulations Economiques*) was adopted that mandated listed companies to account for the social and environmental consequences of their activities (Ibid, 2010). Since then, more laws have been added to complete the CSR legal framework in France.

1.3.7 Germany

No legislation on CSR exists so far in Germany. Literature suggests that there is ambiguity related to the term CSR in Germany and it is seen as a voluntary activity for a business. The only initiative in this regard is the constitution of a multi stakeholder forum on CSR in 2009 that adopted the recommendation of having a national action plan on CSR in the year 2010 (Ibid, 2010).

1.3.8 Greece

There is no specific legislation related to CSR in Greece. Even though there are several legislative provisions related to basic CSR issues it does not find mention in a clear and direct manner in any of the legislative texts (Ibid, 2010).

1.3.9 Russia

There is no legislation on CSR in Russia. CSR practice by businesses is open to interpretation within local contexts and it is not always limited to activity beyond that which is legally mandated. Of late, more number of companies are undertaking CSR activities in line with the government's increasing recognition that CSR is essential to tackle pressing social, political and environmental issues (Belal and Lubinin, 2009).

1.3.10 Sweden

The public sector in Sweden dominates the space of social responsibility. Boards of state owned companies take ownership of issues and set examples for private companies and civil society to follow. It was only in the year 2000 that the Swedish government took a broad approach to CSR and launched the national initiative '*Globalt Ansvar*' (The Swedish Partnership for Global Responsibility) in response to the principles set by UNGC. The aim of this initiative is to assume increased roles in social responsibility (Pagrotsky, 2003). This was followed by the establishment of the 'Commission of Trust' in 2002 for the purpose of evaluating the trust for Swedish business community and developing guidelines for desirable corporate governance.

1.3.11 United Kingdom of Great Britain and Ireland

CSR in the United Kingdom (UK) dates back to 200 years with the country being acknowledged as the world leader in the field. The UK Corporate Governance Code prescribes that a company's duties extend beyond its shareholders. However, there is no explicit mention of CSR in the code. It is with the Companies Act of 2006 that mandates companies to report on various social and environmental issues that emerges to be a significant step towards formalizing the CSR movement in the UK (Idowu, 2009).

Ireland views CSR as a voluntary approach of the business and endorses the EU's views in this regard. There is no such legislation on CSR however except the Credit Institution Act of 2008 that requires financial institutions supported by the government guarantee scheme to report their corporate responsibility through the Irish Banking Federation (Ibid, 2009).

Activity 1

Go through the section above and give a comparative analysis of CSR legislations in different European countries.

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Check Your Progress 2

Note: a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

1) How has the concept of CSR evolved in the European continent?

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2) Give few examples of countries in the European continent that do not have CSR legislation. How are they engaging corporates in social development?

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1.4 CSR LEGISLATION IN EAST ASIA

Broadly, the Asian continent is perceived to lag behind its western counterparts in defining CSR and prompting businesses to pursue CSR practice. Asia also continues to house the largest number of poor people living on less than \$1 per day with many countries grappling with increasing economic inequality hindering human development and deteriorating quality of life. While most of the East Asian countries in the continent have leaped forward in their population’s education status but universality of access to basic services continues to go missing. The pressing social issues in the continent call for businesses to operate more responsibly and be more responsive to their environment beyond immediate shareholders and stakeholders. Even though, CSR is a western concept, in recent times, it has found its place in the Asian context with an increasing number of businesses and corporations beginning to streamline their CSR operations and

policies. The heterogeneity of the region however makes every country different owing to differing social, cultural and religious factors that define priorities and key drivers of CSR.

The following sub sections provide a brief overview of CSR legislations in three East Asian countries, namely, China, Japan and South Korea. These three countries have the highest Gross Domestic Product in the East Asian region. Literature suggests that all three countries are influenced by their Confucian heritage. However, other religions and historical events have had differing impacts on each country's CSR prerequisites (Pfannkuch, 2016).

1.4.1 China

China is a political economy with a multitude of ministries and central government bodies taking part in its CSR strategy. In addition to these central government institutions, the local authorities, such as the Environmental Protection Bureaus and Departments of Corporate Social Responsibility in China play important roles. The application, scope and enforcement of CSR policy can vary greatly from one region to another. In the more developed parts of China (Beijing, Shanghai and the Pearl River Delta), CSR is generally better known than in the western part of the country (Netherlands Enterprise Agency, 2016).

The Chinese government places emphasis on safeguarding the legal rights and interests of citizens and has established an elaborate well defined legal system where in several key legislations contain the element of CSR. It has only been since 2004 that the Chinese government, civil society and the private sector have taken active actions to develop CSR as an effective means to build a harmonious society and achieve sustainable development (Lehman, et al., 2019). Specifically, the government has been working hard since 2017 to put businesses and civil society under pressure to comply with environmental law and responsible business policies (CSR Europe, 2018). These have a direct impact on most of the Chinese population. Some of the most significant CSR policies in 2017 include - improving CSR at a regional level, proposing a mandatory environmental information disclosure system, support for voluntary service and so on. To clarify on the environmental protection tax, Chinese ministries solicited public opinions on the implementation Rules of the Environmental Protection Tax Law. Another notable initiative is the Chinese government's pilot programme for environmental damage compensation by setting up a nationwide pilot programme, and further identifying details like the compensation range, subjects of responsibility, subjects of compensation claim, etc. For the next three years from 2017, targeted poverty reduction is deemed to be one of the main focuses of China as the country has declared in the statement issued after the Central Economic Work Conference (Ibid, 2009).

1.4.2 Japan

The traditional philosophy on CSR in Japan is termed as '*Sanpo-yoshi*' which means three-way satisfaction implying benefits to the seller, to the buyer and to the local community. Japan presents a somewhat puzzling case in relation to CSR. Several studies suggest that Japan is a latecomer or even a laggard in the field of CSR. However, CSR in Japan itself seems to be driven in part by pressures

of foreign investors, who are generally associated with a more liberal and shareholder oriented model of the corporation (Jackson and Bartosch, 2017). The primary forces in driving CSR in Japan emerge to be the Ministry of Economy, Trade and Industry within the national government and the private sector companies. The Japanese Business Federation ('Keidanren') emphasizes CSR reporting and environmental reporting to gain public trust and rapport. It prescribes that a corporation has a responsibility to contribute to economic development of the society and make their presence useful to the society at large (METI, 2012).

While extensive literature exists on the characteristics of Japanese business enterprise, CSR has only emerged as a significant topic for research since 2013. Such literature is focused on environmental technologies and sustainability management, rather than a more general view of CSR. Several studies agree that Japanese firms score high in the environmental dimension relative to firms in other OECD countries. Japanese firms are often cited being as among first adopters of environmental policies. Nonetheless, corporate responsibility activities in the social dimension are less explicitly developed. Past research suggests that Japanese firms tend to score similar to the US and generally lower than European or especially Nordic firms in this regard (Ibid, 2009).

1.4.3 South Korea

Korean society recognized the importance of CSR during its financial crisis from 1997 until the 1998. It was during this time that CSR earned recognition among its key stakeholders from private corporations to the government, public sector companies and civil society (Choi and Aguilera, 2010). However, till date, the Korean corporate law does not have any legislative mention of CSR and there is no legal definition governing the concept. Thus, the country largely operates on American legal theories, systems and laws on CSR introduced by corporate scholars (You, 2012). The ambiguity around the practice of CSR however continues to be driven by a corporate's perceived definition of CSR. In actual practice, many Korean companies equate CSR with philanthropy. The vast major of CSR activities in South Korea take place in this area. A majority of South Korean unions' engagement with CSR is steered by two national centers, the Federation of Korean Trade Unions (FKTU) and the Korean Confederation of Trade Unions (KCTU) (Liem, 2014).

More than half of the companies in South Korea, including big names like KT, Samsung, SK Energy and Hyundai Motor Group, run CSR departments. According to a survey by the industrial association Federation of Korean Industries (FKI) in 2006, 75% of the 120 largest corporations in the country are engaged in CSR projects. However, these companies spend only 2% of their profits on CSR activities thus, keeping lower than the standard values of the United States and Japan (Backer, 2011). In the year 2008, FKI passed a formal resolution which committed the organization to increase the social involvement of its member companies. Accordingly, the FKI established a CSR committee responsible for monitoring member companies' 'economic responsibility', 'legal responsibility', 'moral responsibility' and 'social responsibility' (Ibid, 2014).

Activity 2

Go through the above section and give a comparative analysis of CSR legislations in different East Asian countries.

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1.5 CSR LEGISLATION IN THE AMERICAS

1.5.1 USA

CSR practice in the United States of America (USA) appears to be evolving and accelerating at an uneven pace across industries due to differences in leadership, perspective towards CSR, economic incentives, government regulations and community pressures (Ibid, 2009). Traditionally, CSR was understood as philanthropy in the US. The contemporary definitions have broadened to imply ‘corporate citizenship’ through CSR recognizing the importance of other stakeholders such as the government and civil society (Waddock, 2006). The variation in the understanding of CSR can therefore be attributed to the fact that there is no government wide mandate for CSR in the US (GAO, 2005).

The government plays a passive role in policies regarding US corporations and the same holds true for CSR activities. There is no regulatory compliance for CSR initiatives and reporting of activities related to philanthropy, volunteerism and environmental affairs in the US. Therefore, CSR in the US is often characterized by voluntary societal engagements by businesses as they are not obliged to undertake social and environmental responsibility practices. Corporate social responsibility is identified as having a social extension that goes beyond financial reporting requisites. Cause-related marketing, philanthropic and charitable contributions are examples of such acts (Camilleri, 2017). Incidentally, US companies donate ten times as much as their British counterparts (Brammer and Pavelin, 2005). Chen and Bouvain (2009) reported that the percentage of U.S. companies that were members of the Global Compact was much lower than in the other countries. This finding could indicate that certain aspects of the Compact may not be acceptable to the U.S. corporations. US corporations are already operating in various contexts where they could be mandated by law to abide by national legislation and regulation. This contribution has reported how different U.S. institutions, including bureaus, agencies and other stakeholders are pushing forward the social responsibility, environmental sustainability as well as the responsible corporate governance agenda.

1.5.2 Mexico

The concept of CSR is neither well known nor well developed in Mexico. Traditionally, corporations associated CSR with philanthropy and did not seek engagement of civil society. The civil society at the same time was characterized by a hostile attitude towards the private sector. Lack of cooperation between the two sectors prevented development of CSR in Mexico (Weyzig, 2007).

The contemporary scenario, however, has a new CSR perspective that has found its way from Europe to Mexico that defines the social responsibility of an enterprise towards all its stakeholders. Mexicans appear interested in contributing to social initiatives. However, lack of transparency and blurred communication keeps them away from getting involved. Transparent public information is not common and the society at large relies on corporate data to evaluate social performance. The most common CSR initiatives found in Mexico are aimed at improving environment, education and health (Velázquez et. al, 2009).

1.5.3 Costa Rica

Costa Rica does not have a clearly spelt out legislation on CSR and its practice. The government of Costa Rica maintains and enforces laws on labor and employment rights, consumer protection and environmental protection with no specific mention of CSR. Thus, CSR is still emerging as a concept and a practice (Ibid, 2009).

Over time, a greater and closer coordination between the public and private sector is evident with several NGOs working with private companies in addressing social issues. The Costa Rica government has its mandate to invite high tech companies to the country as their strong CSR culture gets imbibed into the CSR culture in the country. Both, consumers and producers in Costa Rica are aware about the concept of CSR (Bureau of Economic and Business Affairs, 2015).

1.5.4 Brazil

The discourse on CSR started in the early sixties in Brazil (Bandeira and Parra, 2009). Kishiname and others (2007) cite that since the 1960s, different approaches have evolved in Brazil. Until the 1960s, the companies didn't acknowledge that there are any social problems, in the 1970s, the companies acknowledged that problems exist but didn't own them up. In the 1980s, the companies acknowledged that problems exist and also owned it up in proposing solutions. Currently, with social pressures from all ends, companies are actively involved in addressing social problems.

However, till date, CSR is considered to be under construction in Brazil with no legislative provision specifying the definition of CSR or mandating social responsibility of the corporates (Ibid, 2009). Thus, CSR in Brazil is still open to interpretation and understood differently by different stakeholders.

Activity 3

Go through the section above and give a comparative analysis of CSR legislations in different South American countries.

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Check Your Progress - 3

Note: a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

- 1) How is the CSR in China different from that of Japan?

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- 2) Give a summary of the CSR ecosystem in the Americas.

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1.6 CSR LEGISLATION IN THE MIDDLE EAST AND AFRICA

CSR in the Middle East and Africa continues to oscillate between interpreting it as philanthropy to responsibly driven corporate social investment. The traditional concept of giving is the foundation of interpreting the concept of CSR in the region. Different constituent countries are moving at a different pace in operationalizing and universalizing the definition of CSR and drafting legislation to create a regulatory framework for performing and reporting CSR activities.

1.6.1 Egypt

There are no legislative or professional requirements in Egypt that stipulate that companies must report on the social initiatives they undertake even though the economic growth that Egypt has witnessed in recent years necessitates the deployment of CSR initiatives across the country (Salama, 2009). The literature available on CSR in Egypt indicates that CSR is strongly influenced by Egypt's religious beliefs. Traditionally, Egypt has a powerful culture of giving and thus, has a history of corporate sector contributing to community development. However, having undergone numerous political and economic reforms lately, Egypt continues to treat CSR as a non-institutionalized phenomenon, rather than as a philanthropic concept. As a result, for Egyptian companies, CSR is largely voluntary which prevents them from being socially impactful and sustainable initiatives leading to social development. Without a legislative binding in Egypt's corporate milieu, CSR is subject to interpretation and therefore, pursued differently by different institutions and different goals (CSR Middle East, 2012).

At the same time, however, as an outcome of the recommendations made in the ‘Business Solutions for Human Development Report’ in 2007, the Egyptian Corporate Responsibility Center (ECRC) was established in the year 2008 which has since then worked on the principles of the United Nations Global Compact Network to provide business development advisory services and capacity building training to private companies to improve the national capacity to design, apply and monitor sustainable CSR policies (IMC & UNDP, 2016). In conclusion, it can be said that Egypt’s CSR policy needs to be reformed to make both, state and non-state actors responsible and coordinated to achieve sustainable social development.

1.6.2 Turkey

The United Nations survey on CSR in Turkey (UN Global Compact, 2016) highlights the confusion in the CSR business environment of Turkey. The evolution of CSR in Turkey can be traced back to philanthropic initiatives of businesses since the Ottoman era. During the Ottoman era, the ‘waqf’ (foundation) was the institutional mechanism for philanthropic services in the field of education, health and social security. In the contemporary setting, the social expectations from corporate conglomerates are woven around the philosophy of ‘waqf’ (Onday, 2016). Owing to the political and economic turbulence faced by Turkey over the past 50 years, a conducive environment to support the building of CSR could not be created resulting in no standard definition of CSR being constituted in the Turkish context (UNDP, 2007).

CSR consciousness in Turkey has increased through Turkey’s efforts of integrating its economy with developed countries that led to its work with international bodies. There are several drivers in furthering CSR in Turkey. These include NGOs, multinational companies (MNCs) and individuals who engage in philanthropic activities. External drivers such as international organizations and NGOs also support CSR in Turkey. However, lacking a legislative approach to CSR has led to the Turkish industry making scattered investments across various sectors resulting in the absence of any socially visible impact (Michael et al., 2005). The only document that can be considered as a guideline document for implementation of CSR in Turkey is the Corporate Governance Code announced by the Capital Markets Board (CMB) in the year 2003. The code created awareness and understanding of implementation of CSR (Akgoz and Engin, 2016). With Turkey’s admission into the European Union, Turkey presents a promising environment for CSR. However, to ensure that its potential is tapped optimally, the government needs to have clear legislations that incentivize corporate conglomerates to pursue and contribute to social development through CSR.

1.6.3 Nigeria

The CSR environment in Nigeria is driven by philanthropic initiatives by the corporate sector. A study by Amaeshi et.al. (2006) found that indigenous firms in Nigeria pursue CSR as corporate philanthropy to address various socio-economic challenges in their local context thereby establishing CSR as a socially embedded construct. There is no specified CSR legislation in Nigeria. However, it is argued that there are specific legislative provisions that directly or indirectly regulate or mandate the observance or practice of CSR which are either poorly managed or are unenforceable (Mordi et.al., 2012).

Given that the Nigerian economy is faced with problems of low growth and decay of public institutions, a structured CSR legislation making available a regulatory framework for corporate entities to operate in a socially responsible manner can pave way for providing the much-required impetus to the Nigerian economy.

1.6.4 South Africa

CSR in the context of South Africa has its roots in the issues of apartheid and colonialism that crippled the country for a long time. Traditionally, CSR was understood in terms of corporate social investment (CSI) or strategic philanthropy much in the corporate's area of operation (Hamann, 2009). However, lately CSI is being criticized in the light of considering it to be an extension of a business's strategy with no social outcome or sustainability being ensured. Much of South African CSR in the contemporary milieu is being driven by the King Report that is, the King Report on Corporate Governance for South Africa that explicitly defines and motivates concepts such as corporate citizenship, social responsibility and sustainability reporting (Kirby, 2014).

There is no CSR legislation in South Africa that binds companies to perform CSR activities. With the recent overhauling of the Companies Act however, a provision has been made that stipulates companies to constitute a social and ethics committee. Provisions have been made such that there are corporate entities that leave out a set of companies that are not obliged to constitute the committee. As a result, the CSR ecosystem in South Africa is bound to be divided with differing compliances for different entities (Kirby, 2014). Over time, the need for CSR legislation in the country is being felt and is much needed to create uniformity in compliance that is driven by law than by a perceived sense of responsibility.

1.6.5 United Arab Emirates (UAE)

Charity has dominated the ecosystem of giving in the UAE. 2017 was declared as the year of giving by the UAE during which the Ministry of Economy launched 11 initiatives that guided companies on CSR initiatives to promote social responsibility and corporate investment. To incentivize corporates to invest in development initiatives, 'National Corporate Social Responsibility Index' and 'Social Responsibility Passport' were launched to create an environment of giving (Zakaria, 2017).

It is after the year of giving that the CSR law in UAE was enforced from February 1, 2018 which stipulates companies to report on CSR activities and financial contributions. The purpose of the law is to establish a regulatory framework for CSR contributions in the UAE which will keep a record of all development activities undertaken through CSR and will incentivize companies that are making effective contributions (Clyde and Co, 2018).

Activity 4

Go through the above section and give a comparative analysis of CSR legislations in different Middle Eastern and African countries.

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1.7 CSR LEGISLATION IN AUSTRALIA

The slow pace of corporate social responsibility investment in the development ecosystem of Australia could be attributed to the strong social security environment in the country. Consensus on a universally accepted definition of CSR continues to be missing in Australia owing to the diversity of corporations that operate in the country (Ibid, 2009). There is no specified CSR legislation in Australia that stipulates corporates to perform or report on CSR. Balten and Birch (2005) in their study indicate that ‘there is considerable hesitation in funding long term community involvement’ by corporate firms in Australia. The government’s mandate to promote social investments by corporates is largely missing with much being left on market forces and industry self regulation to govern (Gustavson, 2009). The Corporations Act of 2001 does not directly mention CSR or sustainability but makes indirect mentions of performing business responsibly keeping the welfare of other stakeholders also into consideration.

Absence of CSR reporting requirements by Australian corporate entities, however, has not kept them away from reporting on their social responsibility investments. There is an increasing community pressure on corporates to report on aspects other than the financial bottom line. Laws such as the Gender Equality Act and the Anti Competitive Behavior and several others regulate the behavior of businesses in Australia (Davies, 2014). However, CSR continues to be open to interpretation in the Australian corporate ecosystem.

Check Your Progress - 4

Note: a) Use the spaces given below for your answers.

b) Check your answers with those given at the end of the unit.

1) What forms the basis of CSR in Middle East and Africa?

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2) What legislation exists in Australia to govern CSR practice?

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1.8 LET US SUM UP

The global evolution of CSR is driven with an increasing realization that corporate entities are important stakeholders in the process of development. Standardized guidelines such as UNGCN, GRI and OECD present frameworks for CSR practice and reporting. Different countries are at different stages of creating an environment of CSR practice. CSR legislation does not exist in all countries owing to country-specific features or the nature of companies and businesses in a given region. However, CSR is growing in terms of its importance and recognition across the globe where small, medium sized and large companies are adopting CSR guidelines to make effective social contributions.

1.9 KEYWORDS

Corporate Social Responsibility

: A corporate’s initiative of defining its policies and procedures that have a socially responsive extension in order to address issues in the social milieu.

Corporate Social Investment

: A corporate’s investment in addressing the pressing development problems in the society through financial and/or knowledge investment.

Shareholders

: Individuals or groups who have financial investment and share in the profits of a corporate entity.

Stakeholders

: Individuals or groups affected with the presence and functioning of corporate entities. These include community groups located in close proximity to the functional geography of a corporate.

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1.11 CHECK YOUR PROGRESS - POSSIBLE ANSWERS

Check Your Progress-1

Answer 1: CSR can provide much needed resources to address major social issues in a country. Corporate entities are important resources, financially as well as socially and social investment from corporates can improve the socio economic situation of a country.

Answer 2: CSR practice is different for different countries. The issues that take dominance in a particular region guide the practice of CSR. What may be relevant in one region may be of little or no significance in another. Developed nations have different problems when compared with developing nations and therefore, CSR practice varies geographically.

Check Your Progress-2

Answer 1: Traditionally, in Europe, CSR was considered to be a voluntary activity taken up by corporate entities. However, with increased consciousness and change in consumer behavior, Europe has several legislative texts in place that mandates corporate entities of a particular size to engage in social activities and report on various parameters important for measuring development.

Answer 2: Countries like Croatia, Germany, Greece and Russia have no CSR legislation in place. However, there are several legislative texts that indirectly address the issues related to CSR practice and reporting. For instance, in Croatia, a sustainable development strategy has recently been drafted which is expected to extend support to companies to engage in CSR practice.

Check Your Progress-3

Answer 1: CSR in China is driven by multiple stakeholders including government, civil society, and private sector. There are several legislative provisions in place to promote corporate entities to take responsible actions and contribute in sustainable social development. In Japan, CSR continues to be a primitive concept linked to the traditional practice of 'sanpo-yashi'. CSR in Japan is drawn by pressures of foreign investors. Japan focuses on environmental dimension of CSR.

Answer 2: The Americas are characterized by an uneven pace in the development of concept of CSR and its practice. While in the United States of America, the government plays a passive role in policies pertaining to US corporations, in Mexico and Costa Rica, CSR is developing as a concept influenced by policies in the European countries. There is no clearly developed CSR legislation in Mexico, Costa Rica or Brazil.

Check Your Progress-4

Answer 1: The principle of giving forms the basis of CSR in Middle East and Africa. CSR is largely understood as philanthropy.

Answer 2: There is no CSR specific legislation in Australia to govern CSR practice. However, there are several legislations that directly or indirectly impact the functioning of corporate entities to make them socially responsive and responsible.