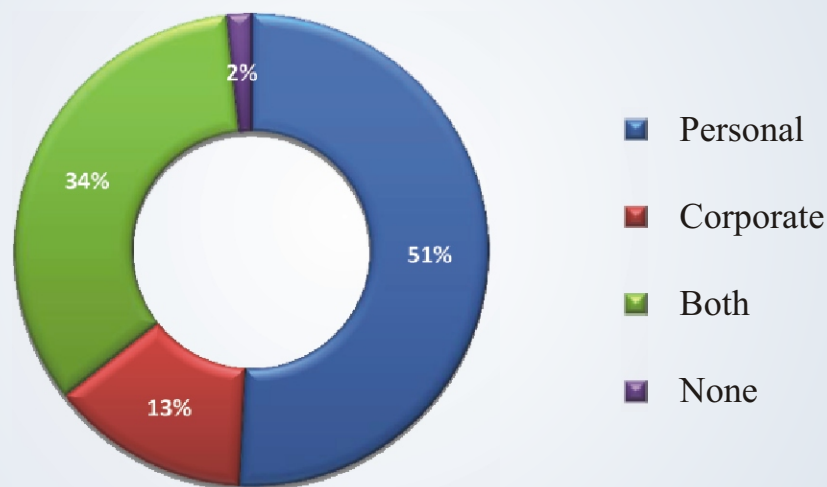


Corporate Social Responsibility (CSR) in Pakistan and the Role of Management Accountants

By Research & Publications Directorate, ICMA Pakistan

**CMA's are playing a significant role towards CSR activities at personal and organizational levels'
'ICMA Pakistan may devise specialized training programs for CMA's on CSR'**

CMA's engagement in CSR activities in Pakistan



Preamble

Social Responsibility means that people and organizations must behave ethically towards social, cultural, economic and environmental issues. Striving for social responsibility helps individuals, organizations and governments to have a positive impact on development, business and society with a positive contribution to the bottom-line results. The individual social responsibility includes the engagement of each person towards the community. Socially responsible people are in a better position to put pressure on companies to become more socially responsible. This is amply proved from CSR practices in advanced countries where the general public have 'civic consciousnesses' and they are pre-dominantly engaged in community and welfare activities.

Corporate Social Responsibility (CSR) is a corporate management approach that drives change towards sustainability and promote social welfare within and outside the company. CSR broadly covers corporate governance,

health and safety, environmental effects, working conditions, human rights and contribution to economic development. CSR and Sustainability are center of focus of today's business organizations since stakeholders are incorporating CSR as one of the important factors in decision making.

Research studies have proved that there is a strong linkage between profitability and sustainability and that organizations having strong CSR-related activities also have a strong financial performance. Hence, the global investors, consumers and regulators demand sufficient disclosures of corporate policies for social, environment and governance aspects in the financial statements of companies. Such disclosures about non-financial measures of companies is made through 'Sustainability Reporting' as per the Global Reporting Initiatives (GRI) methodology which defines sustainability reporting guidelines and the best practices in the field. Of late, companies are also moving to 'Integrated Reporting' which integrates the financial reports and sustainability reports.

CSR Status in Pakistan

The industries in Pakistan are focused more towards profit maximization than CSR. The current scenario is that the Pakistani industry is facing innumerable challenges in shape of high energy charges, multiplicity of taxes, inflation, fuel prices which are restraining them to play an active role in discharging their responsibilities towards society and environment. Despite all these hindrances, there is now a growing realization, especially in the listed companies in Pakistan, to contribute towards CSR activities. The export sector, especially is now adopting measures concerning health and environment in order to comply with strict EU standards on Environment and Social Responsibility e.g. packaging waste and water treatment.

There is lack of national drive to provide incentives such as tax exemptions to those companies which are contributing towards CSR. The only legislation available is 'Corporate Social Responsibility Voluntary Guidelines' issued in 2013 by the Securities and Exchange Commission of Pakistan (SECP) which encourage companies to align business strategies with their social responsibilities. The CSR Guidelines recommends that CSR policy be fully endorsed by Board of Directors of Company and it should be embedded in Company's Vision and strategy. The companies have also been encouraged to earmark specified financial or nonfinancial resources, specific criteria or a proportion of their profit (preferably 1-2%) for CSR initiatives. The Guidelines also recommends formation of a CSR consultative committee to ensure transparent, specialized supervision and reporting progress.

Survey Objectives

The International Federation of Accountants (IFAC) in its report published in 2010 emphasizes the significant role of professional accountants in promoting CSR practices in organizations. The report says:

Quote:** Professional accountants in organizations support the sustainability efforts of the organizations they work for in leadership roles in strategy, governance, performance management, and reporting processes. They also oversee, measure, control, and communicate the long-term sustainable value creation of their organizations. **Unquote

In view of the above statement by IFAC, there is need that every professional accounting body should initially conduct a detailed research on social responsibility of professional accountants in their respective jurisdictions and on the basis of their outcome should re-align their curriculum and CPD activities.

The survey conducted by ICMA Pakistan on 'Social Responsibility of Management Accountants' is a step in this direction and its underlying objective is to assess the role played by CMAs, both in their personal capacity as well as at organizational level towards Corporate Social Responsibility (CSR), including education, health, environment, voluntary services and social welfare. It was intended that the outcome of this survey would highlight the concern and contribution of CMAs towards the society and the nation as well as bring to limelight their non-financial performance which is today an important part of integrated reporting.

Survey Methodology & Questionnaire

The survey form was hosted on Institute's website on 28th November 2016 as well as on 'Google Drive' for online

submission by respondents. A convenient sampling technique was employed to undertake this survey by sending emails to all the management accountants, both employed in Pakistan and abroad, as well as to those who are involved in practice and consultancy. The deadline for submitting response on the survey was 10th December 2016. In total, 57 responses were received, out of which all responses were considered valid.

The Survey comprised of ten questions that aimed at seeking the viewpoint of members of the Institute on their engagement in CSR activities, both at personal and organizational level. The questions specifically sought the opinion of respondents in developing KPIs; preparing reports on sustainability issues; implementing CSR strategy; time spent in CSR activities; specific areas of CSR and the management skills most helpful in tackling CSR issues. The questions asked to survey participants were as follows:

- 1) What should be the role of Management Accountants towards corporate social responsibility?
- 2) Have you developed KPIs in your company to support strategic and sustainable goals?
- 3) Does your company engage you in developing and implementing the CSR strategy?
- 4) Which Department in your company mainly deals with sustainability issues?
- 5) Do you prepare reports on sustainability issues for decision making by your management?
- 6) How much time you spend towards CSR related activities in your organization?
- 7) Do management accounting skills help you in tackling social responsibility issues?
- 8) In which capacity, you are engaged in social welfare activities?
- 9) What specific areas of social activities you are mainly engaged with?
- 10) Do you think there is need for specialized training for CMAs to play active role in CSR?

Survey Hypothesis

The main hypothesis of this research was to establish the fact that the management accountants in Pakistan are actively engaged in CSR activities at personal and organizational levels. The survey has established this hypothesis and it is concluded that the management accountants, qualified from ICMA Pakistan are playing a significant role in discharging their responsibilities towards the society and environment. However, the survey indicates that the management accountants are engaged more towards social and welfare activities at the personal level rather than at the company or organization level. The reason being that majority of the private companies in Pakistan are more focused towards profitability than their role towards society.

Majority of the management accountants have expressed that they are willing to perform CSR role but they do not find any opportunity in their organizations to accomplish this task. Many of them have indicated that the Institute should devise specialized training programs to expand their horizon to play role towards CSR. The survey-based research study also aimed at exploring CSR culture in corporate sector in Pakistan and the applicability of management accounting skills used in performing the CSR-related tasks.

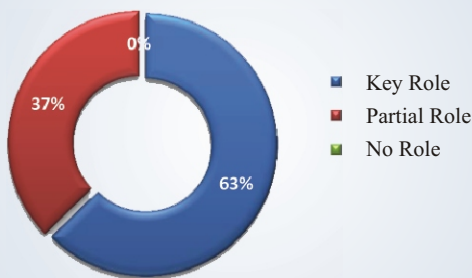
Data Analysis & Survey Results

63% CMAs desires a 'Key Role' towards CSR

The members were enquired as to what should be the role of Management Accountants towards CSR. And three options were given viz. Key role, Partial Role and No Role. The responses received indicate the keen interest of CMAs to play a role towards society and environment. Almost 63% say that they desire a 'Key role' whereas 37% indicated a 'Partial role' towards CSR activities.

The message that we can deduce from this feedback is that the corporate and business sector should engage the management accountants in the CSR activities as they are not only willing to perform in this area but also they have the required skills and capabilities to accomplish this task in an efficient manner.

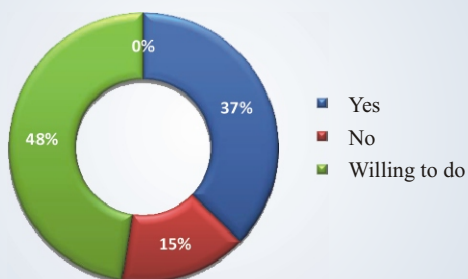
Management Accountants role towards CSR



85% CMAs involved or willing to develop CSR KPIs

The survey results indicates that almost 85% of CMAs are either involved in developing KPIs or are willing to be associated in this task to support strategic and sustainable goals of companies. Out of these 85%, 37 percent are already engaged directly or indirectly in KPIs framing and implementation. The outcome is highly appreciable as the Institute wants its members to be engaged in companies as strategic decision makers to play role in organizational development. Only 15% CMAs have stated that they are not involved in KPIs for CSR.

Development of KPIs for CSR

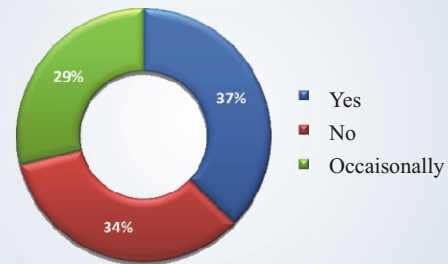


66% CMAs implementing CSR Strategies

The management accountants were asked whether they are engaged by their companies in developing and implementing the CSR strategy. Around 66% informed that they are associated either fully or occasionally in CSR activities and implementation. This is quite reassuring that organizations in Pakistan are realizing the importance of the role of management

accountants in business decision-making as well as in CSR activities.

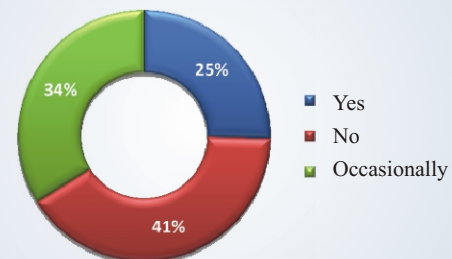
Implementation of CSR strategy



59% CMAs prepare CSR reports for Decision making

It has been concluded from survey results that almost 59% of the management accountants who have taken part in this survey are engaged by their companies, either fully or occasionally, in preparing reports on sustainability issues for decision making by the management. However, 41% of respondents have indicated that they are not being involved in CSR reporting. This signifies that management accountants should come forward to express their interest to their management to expand their role in CSR reporting.

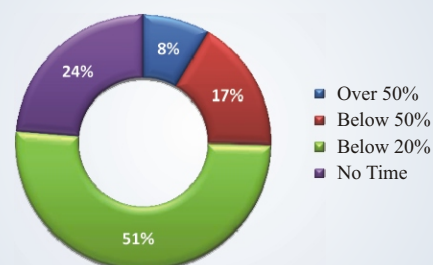
Reporting on Sustainability issues



51% CMAs spend less than 20% of working time on CSR activities

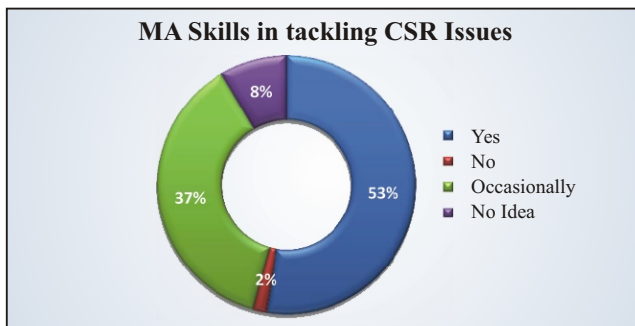
One of the survey questions was how much time the responded spend on CSR activities in their organizations. Various options were provided for selection i.e. below 20%; below 50%; over 50% or no time spent. The result that has come out is that 51% CMAs spend 20% or less time. The other responses are below 50% time (17%); over 50% time (8%) and no time spent on CSR (24%).

Time allocation towards CSR activities



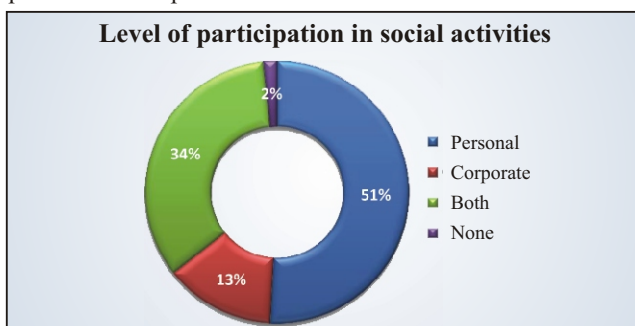
90% CMAs utilize management accounting skills in CSR

Almost 90% of the respondent members have indicated that the skills and techniques learned by them during their studies for CMA qualification help them to a great extent in tackling the social responsibility issues, both at personal and corporate level. Only 8% say that they do not have any idea in this regard. The outcome of this question is quite satisfactory as we think the technical expertise provided to our students who become the members and then join the corporate world, are quite updated and meet the international standard.



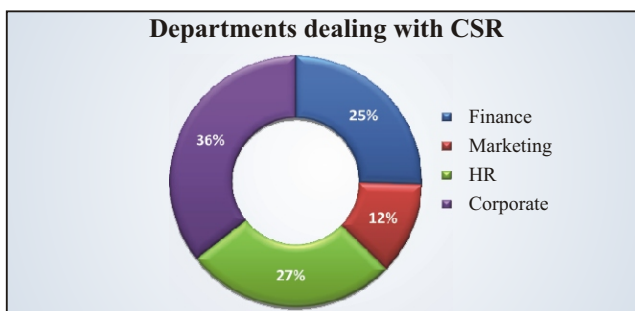
98% CMAs are engaged in Social welfare activities

Almost 51% members said that they are mostly engaged in CSR work at personal level, whereas 13% indicated their role at the company level. Around 34% management accountants indicated that they are involved in social work at both the personal and corporate levels.



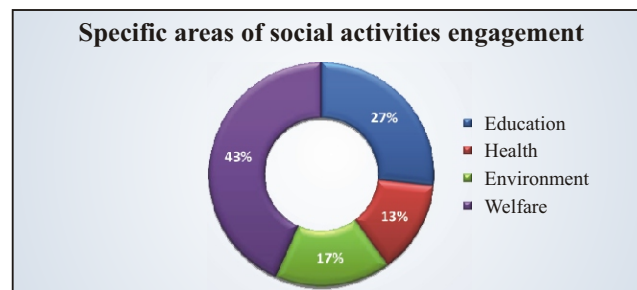
36% CSR activities performed by Corporate Department

The survey has revealed that 36% of CSR and sustainability related matters are dealt by the 'Corporate Department' in Pakistani companies. The other departments involved in this task are HR Department (27%); Finance Department (25%) and Marketing Department (12%).



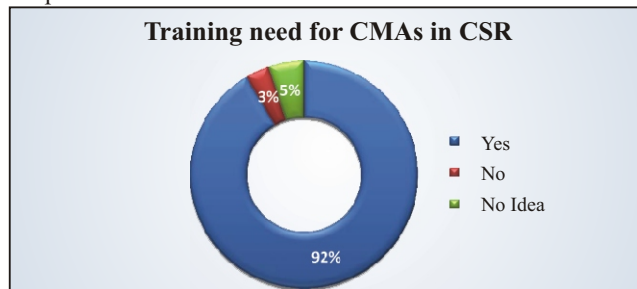
42% CMAs are involved in social welfare and charity work

A question was included in the survey for CMAs as to in which specific areas of social activities they are mainly engaged with. The results indicate that they are engaged in diversified areas i.e. 27% in education; 17% in environment; 14% in health and the highest 42% in social welfare and charity work.



92% CMAs suggests specialized Training on CSR

The management accountants participating in the survey were asked whether there is need for specialized training for them to play active role in CSR. Almost 92% of them have responded in affirmative. On the basis of the response received, the Institute would certainly develop training program to expand the capabilities of our members to play role in CSR activities in the corporate sector in Pakistan.



Conclusion

The Professional Accountants play a crucial role in organization in areas closely related to corporate social responsibility such as reporting, transparency, ethics, legal compliance, communication with stakeholders and resource consumption. The present business environment furnishes opportunities and threats not only to the accountants but also to the accounting profession. Environmental and social issues and organizational risk management standards are the key drivers to change in the scenario. The professional accounting bodies need to align their actions to the emerging trends in the local and international social and economic environment. They also need to remain abreast with global best practices and requirements of social and environmental standards.

The results of the survey have established the hypothesis of this research that management accountants in Pakistan are actively engaged in CSR activities and they are playing a significant role in discharging their responsibilities towards the society and environment. However, there is also need for realization at the business and corporate sector level to provide opportunities to CMAs working under them to play role in CSR strategy implementation and social responsibility issues. The Institute will always be there to enhance the capabilities of CMAs in discharging their CSR roles in an efficient way through continuous training.