



CSR Strategy Guidebook

Professor Swapan Kumar Bala, FCMA

CSR Strategy Guidebook

Dr. Swapan Kumar Bala, FCMA

Professor, Department of Accounting & Information Systems
University of Dhaka

© Management and Resources Development Initiative (MRDI)

Published : 2013

ISBN : 978 - 984 - 33 - 7356 - 4

Design and Printing : Transparent

Printed in Bangladesh

Management and Resources Development Initiative

8/19, Sir Syed Road (3rd Floor), Block-A, Mohammadpur, Dhaka-1207, Bangladesh

Phone : +880-2-9134717, +880-2-9137147 , Fax : +880-2-9134717, +880-2-9137147 Ext-111

E-mail : info@mrdivd.org, Web : www.mrdibd.org

Acronyms

BB	Bangladesh Bank
CCC	Corporate Codes of Conduct
CSOs	Civil Society Organizations
CSR	Corporate Social Responsibility
EPs	Equator Principles
EPFIs	Equator Principles Financial Institutions
GRI	Global Reporting Initiative
IRD	Internal Resources Division
ISO	International Organization for Standardization
MCAP	Mainstreaming CSR to Address Poverty
MJF	Manusher Jonno Foundation
MoF	Ministry of Finance
MPO	Monthly Payment Order
MRDI	Management and Resources Development Initiative
NBR	National Board of Revenue
OECD	Organization for Economic Co-operation and Development
SBU	Strategic Business Unit
SRI	Socially Responsible Investing
SRO	Statutory Regulatory Order
VAT	Value Added Tax

Contents

Foreword	1
CSR: An Introduction	3
Conceptual Understanding of CSR	3
CSR Programs: How to Operate	16
CSR Strategy: Structure and Contents	20
CSR Activities: How to Prioritize	26
Concluding remarks	28
Annexes	29
Bibliography	61

Foreword

Corporate Social Responsibility (CSR) in Bangladesh has taken a better shape in terms of its conceptual, contextual and operational aspects over last few years. CSR stakeholders now have a better understanding about the CSR tools. Expenditures in CSR demonstrate a rising trend. Policy incentives, recognition and impact of CSR activities on the end beneficiaries are visible.

These changes took place as a result of concerted efforts by concerned government authorities, corporate community and advocacy activists which helped the corporate world find out best ways to channel CSR funds for sustainable development. MRDI has been a prominent player in this effort. In partnership with Manusher Jonno Foundation (MJF), the MRDI launched a project titled 'Mainstreaming CSR to Address Poverty (MCAP)' back in April 2008 with the objective to develop CSR as an innovative and sustainable source of support for development.

From its experiences and lessons learnt about using CSR as an alternative funding source of development, MRDI found that the companies have some limitations and confusions about prioritising their CSR operations. Even they have no guiding principle or defined strategy to run their CSR programmes, though some of them have preferences and priorities. It becomes difficult for them to match the requests from different quarters with their priorities. They also find difficulties in selecting the projects complying with the SRO of the NBR and directives of Bangladesh Bank.

It came out from discussions and interactions that this problem can be addressed if each corporate house has its own CSR strategy. The strategy will guide the company take its own course of CSR activities. Experiences show that the companies with strategy are running their CSR activities more efficiently and effectively. Most of the companies want to develop such a strategy to streamline their CSR activities, but they need technical assistance in doing so.

In this context, the idea of developing a guiding template for CSR emerged as a need. To meet the need, MRDI initiated to develop a guidebook which will facilitate the corporate houses prepare their own CSR strategy. This

guidebook contains a brief introduction to CSR, its mode of operation, structure of CSR strategy, priority setting and an overall template of how a CSR strategy should look. Some necessary formats and documents are annexed at the end.

We are grateful to Dr. Swapan Kumar Bala, FCMA, Professor, Department of Accounting & Information Systems of Dhaka University who did an excellent job by developing this guidebook. We extend our thanks and gratitude to Shitangshu Kumar Sur Chowdhury, Deputy Governor of Bangladesh Bank for reviewing the document and giving his valuable opinion. We are thankful to our adviser Moazzem Hossain, Editor, The Financial Express; Prof. Dr. Mahmuda Akter, Department of Accounting & Information Systems, Dhaka University; Prof. Dr. Mahfuzul Hoque Secretary (In-Charge) and Director (LPD), Institute of Chartered Accountants of Bangladesh; Abdul Hannan Zoarder, Executive President, Bangladesh Institute of Capital Market, Mohammad Zahirul Islam, PMP, FVP & Head of Project Management Office, The City Bank Limited and Mohammed Sami Al Hafiz, Head of Corporate Affairs, Mutual Trust Bank Limited for their inputs as experts.

Manusher Jonno Foundation (MJF) deserves special thanks for providing support to developing this guidebook. MRDI team members have worked hard in publishing this document.

Contents of the guidebook do not provide any rigid instruction. Corporate houses will apply their own experience and wisdom in setting priorities and choosing the right strategy for CSR in compliance with their organizational mission. This guidebook is meant to give them a direction in doing so.

Our efforts will be proved successful only if the companies find the guidebook useful.

CSR: An Introduction

Corporate Social Responsibility (CSR) has been becoming a frontier issue in corporate sector over the years. This is a concept whereby organizations integrate social and environmental concerns into their business operations and into their interaction with their stakeholders usually on a voluntary basis. But in many cases, now CSR issues are linked with such conditions of good business practices and for the companies, they are becoming routine part of their operations. Often they are included in the 'corporate codes of conduct' (CCC), a codified set of ethical standards to which corporations aim to adhere. CSR is incorporated in the CCC to promote the idea that corporate activities should, at the very least, avoid disruption to the wider society and preferably generate positive effects. Examples of CSR practices include the preservation of the environment through low pollution and energy-efficient measures, the production of merchandise that is recyclable and biodegradable, and the promotion of uniform treatment of employees across labor markets, thus ensuring acceptable working conditions irrespective of local market standards (such as the refusal of child labor).

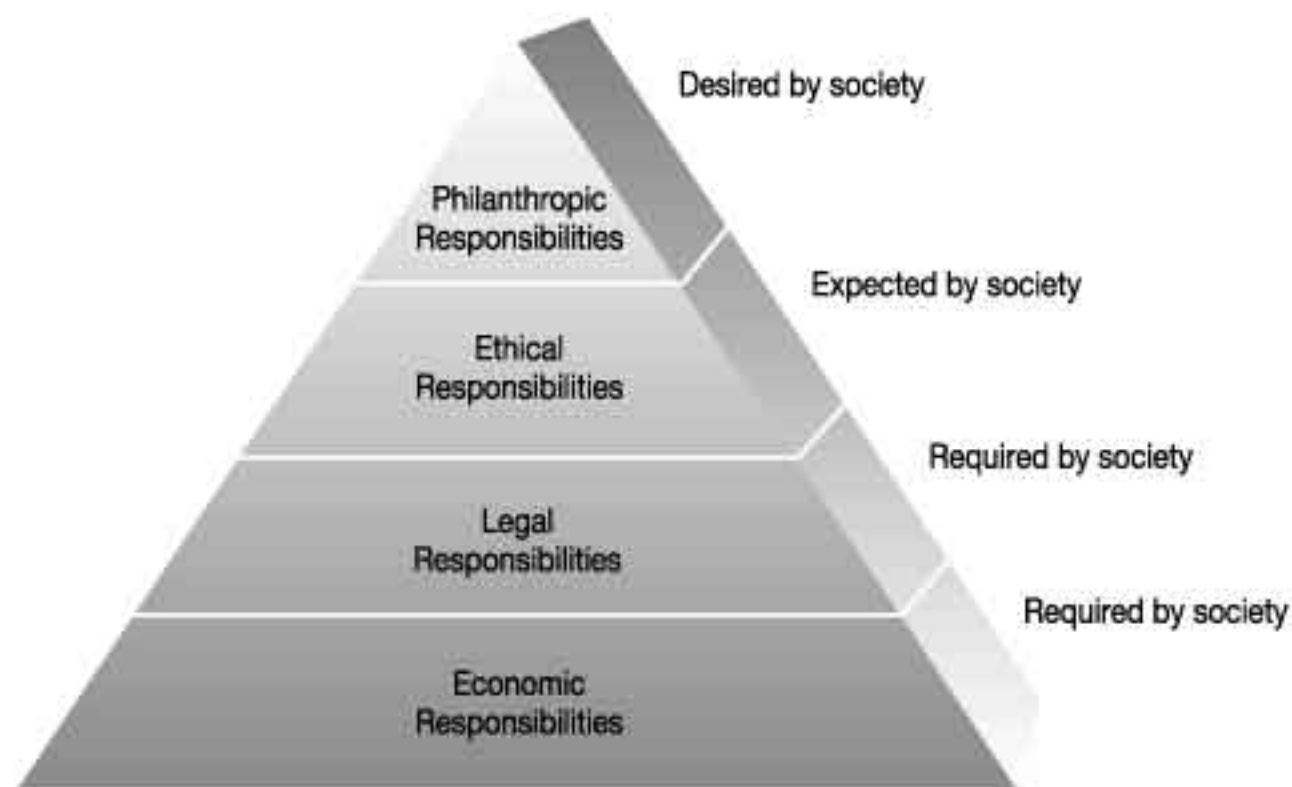
Conceptual Understanding of CSR

There are a number of conflicting perceptions with respect to the term 'corporate social responsibility' (CSR). Some people consider it as an obligation of a corporate entity, but others think it as a discretionary step by a corporate citizen. Many argue that CSR should be a compliance action, but others contradict the notion by stating that it should be a function by conviction (i.e., action originated from a strong persuasion or belief). Below is a brief description on several conceptual aspects of CSR that will facilitate a formal structured understanding of CSR.

Definition of CSR

Management professor Archie B. Carroll, based at the University of Georgia, is considered to be the proponent of 'probably the most established and accepted model' of CSR. It is a 'Four-Part Model' as shown in following figure:

Figure-1 : Carroll's Four-Part Model of CSR



Source: A. B. Carroll. 1991. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders, *Business Horizons*, Jul-Aug, 39-48.

As shown in the above figure, Carroll regards CSR as a multi-layered concept, which can be differentiated into four interrelated aspects - economic responsibility (the reason why businesses are set up in society and thus a company's first responsibility is to be a properly functioning economic unit and to stay in business), legal responsibility (businesses abide by the law and 'play by the rules of the game'), ethical responsibility (that obliges corporations to do what is right, just and fair even when they are not compelled to do so by the legal framework) and philanthropic responsibility (that includes all those issues that are within the corporation's discretion to improve the quality of life of employees, local communities and ultimately society in general, without being expected or required). The consecutive layers of these different responsibilities within a pyramid imply that 'true' CSR requires the meeting of all four levels consecutively. The first layer of CSR (economic responsibility) is the basis for all the subsequent responsibilities, which rest on this (ideally) solid basis. Satisfaction of both economic and legal responsibilities is required of all corporations seeking to be socially responsible. This third layer of CSR (ethical responsibility) consists of what is generally expected by society, over and above economic and legal expectations. This fourth and final layer of CSR (philanthropic responsibility) is merely desired of corporations without being expected or required, making it 'less important than the other three categories' (vide Hennigfeld, Pohl and Tolhurst, 2006). Hence, Carroll and Buchholtz (2000: 35) offer the following definition of CSR: 'Corporate social responsibility encompasses the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time.'

In the context of using a social responsibility audit at regular intervals to report on and systematically assess an organization's performance in various areas of CSR, Carroll's Four-Part Model of CSR can be viewed as a continuum that ranges from compliance - acting to avoid adverse consequences, to conviction - acting to create positive impact. This is presented as follows:



Source : J. R. Schermerhorn, Jr. (2012), *Exploring Management* (Hoboken, New Jersey, USA: John Wiley & Sons, Inc.): 75.

Thus, first two layers of Carroll's four-part pyramidal model of CSR (economic and legal responsibilities) fall in the 'zone of compliance' and remaining upper two layers of Carroll's CSR model (ethical and philanthropic responsibilities) fall in the 'zone of conviction'. Although compliance, in general, means conforming to a rule, such as a specification, policy, standard or law, here the zone of compliance encompasses compliance of both financial policy towards profitability target and the regulatory requirements. On the other hand, conviction, in general, refers to a strong persuasion or belief or the state of being convinced, or the state of being convicted by one's conscience. Hence, the 'zone of conviction' covers the areas of voluntary responsibilities only after crossing the 'zone of compliance' towards doing 'right thing' and doing something for the society. Usually the corporate activities that fall into the 'zone of conviction' are included in the 'corporate codes of conduct' (CCC). These CCC can be prepared by considering the following universally applicable international principles, standards, and guidelines which have specific focus on CSR:

1. Sullivan Principles [Annex-1];
2. Ten Principles of the United Nations Global Compact [Annex-2];
3. Equator Principles applicable for Financial Institutions [Annex-3];
4. ISO 26000 - Social Responsibility [Annex-4]; and
5. OECD Guidelines for Multinational Enterprises [Annex-5].

However, from the managerial perspective of corporations, the concept of social responsibility has been considered through linking it with two other similar concepts: social obligation and social responsiveness, where they can be shown as: from

obligations to responsiveness to responsibility. Social obligation is when a company engages in social actions because of its obligation to meet certain economic and legal responsibilities. The company does what it is obligated to do and nothing more. Advocated by Milton Friedman (1912-2006), the 1976 winner of Nobel Memorial Prize in Economic Sciences, this idea reflects the classical view of social responsibility, which says that management's only social responsibility is to maximize profits. The other two concepts - social responsiveness and social responsibility - reflect the socio-economic view, which says that managers' social responsibilities go beyond making profits to include protecting and improving society's welfare. This view is based on the belief that corporations are not independent entities responsible only to stockholders, but have an obligation to the larger society. But social responsiveness and social responsibility are not the same thing. Social responsiveness is when a company engages in social actions in response to some popular social need. Managers are guided by social norms and values and make practical, market-oriented decisions about their actions (e.g., in the absence of any legal binding, endorsing a ban for drivers by a motor company on sending text messages while driving; company-wide policy urging employees to volunteer during natural disasters and other crises). But social responsibility goes beyond what it's obligated to do or chooses to do because of some popular social need and does what it can to help improve society because it's the right thing to do. Robbins and Coulter (2012) have defined social responsibility as a business's intention, beyond its legal and economic obligations, to do the right things and act in ways that are good for society. This definition assumes that a business obeys the law and cares for its stockholders, but adds an ethical imperative to do those things that make society better and not to do those that make it worse. A socially responsible company does what is right because it feels it has an ethical responsibility to do so (e.g., shutting off lights more frequently and reducing air conditioning and heating from an ethical responsibility towards energy and environmental concerns). For many companies, their social actions are better viewed as being socially responsive than socially responsible. However, such actions are still good for society (Robbins and Coulter, 2012: 124-125). Under this view, actions for the society under the 'zone of compliance' are 'social obligations' and hence not at all CSR and to be a CSR, a function must be under the 'zone of conviction', but should not be a 'socially responsive' act.

The European Commission previously (2001) defined Corporate Social Responsibility (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" (European Commission, 2011: 3). The Commission has recently put forward a new definition of CSR (2011) as "the responsibility of enterprises for their impacts on society". Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their CSR, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business

operations and core strategy in close collaboration with their stakeholders, with the aim of:

- maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- identifying, preventing and mitigating their possible adverse impacts (European Commission, 2011: 6).

Coombs and Holladay (2012) propose the following definition of CSR:

- CSR is the voluntary actions that a corporation implements as it pursues its mission and fulfills its perceived obligations to stakeholders, including employees, communities, the environment, and society as a whole (Coombs and Holladay, 2012: 7-8) .

Coombs and Holladay (2012) consider following issues with respect to CSR:

- CSR should be sensitive to the "triple bottom line": concern for people, the planet, and profit.
- CSR initiatives involve voluntary actions. If a corporation is required by law to perform an action, it does not qualify as a CSR action. Corporations must conform to legal requirements, and CSR extends beyond those legal requirements to include additional voluntary initiatives consistent with the public good.
- CSR actions must be consistent - or at least not inconsistent - with an organization's mission. The mission is what the organization does to provide products and services that meet others' needs. An organization may develop a mission statement and develop strategies for pursuing the mission that include CSR objectives. CSR is seen as complementary to, not competing with, the corporation's mission.
- CSR should acknowledge the importance of stakeholder expectations in influencing CSR initiatives. Corporations have obligations to stakeholders, and these include the obligation to understand and be responsive to stakeholder expectations. The phrase perceived obligations is included to denote that corporations can act only on what is known and accepted as legitimate.

Sometimes corporate governance is uttered in relation to corporate social responsibility by stating that if corporate governance is assured then CSR is inclusively addressed. But it may be or may not be the case. Because corporate governance, as a system of structures and processes to direct and control a company, specifies the distribution of

rights and responsibilities among company's stakeholders and articulates the rules and procedures for making decisions on corporate affairs. Thus, corporate governance provides the structure for defining, implementing, and monitoring a company's goals and objectives, and ensuring accountability to appropriate stakeholders. There are two groups of stakeholders: (1) contractual stakeholders - such as shareowners, customers, suppliers or employees - who have a legal relationship with an organisation, and (2) community stakeholders - such as local communities, consumers (in general) and pressure groups - who do not have the protection of the law. When for ensuring accountability to appropriate stakeholders, they explicitly include the community stakeholders, only then the broad-based corporate governance is linked directly with CSR. In other way, CSR strategies are particularly important to the community stakeholders. However, corporate management can be interpreted as managing a company for the purpose of creating and maintaining value for shareholders. Corporate governance procedures determine every aspect of the role for management of the company and try to keep in balance and to develop control mechanisms in order to increase both shareholder value and the satisfaction of other stakeholders. In other words, corporate governance is concerned with creating a balance between the economic and social goals of a company including such aspects as the efficient use of resources, accountability in the use of its power, and the behaviour of the corporation in its social environment (Aras and Crowther, 2009: 13-15; Johnson, Scholes and Whittington, 2009: 100).

Three Principles Comprising CSR Activity

There are three basic principles which together comprise all CSR activities. These are:

1. sustainability;
2. accountability;
3. transparency.

The above principles are discussed briefly below:

1. Sustainability : Sustainability usually refers to continuing existence of an entity in the future, which may often require "radical changes to business practice and a significant amount of process re-engineering." There are four aspects of sustainability which need to be recognised and analysed, namely:

- a. Societal influence, which we define as a measure of the impact that society makes upon the corporation in terms of the social contract and stakeholder influence;
- b. Environmental impact, which we define as the effect of the actions of the corporation upon its geophysical environment;

- c. Organisational culture, which we define as the relationship between the corporation and its internal stakeholders, particularly employees, and all aspects of that relationship; and
- d. Finance, which we define in terms of an adequate return for the level of risk undertaken (Aras and Crowther, 2009: 24-25).

2. Accountability : Accountability is concerned with an organisation recognizing that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. This concept therefore implies recognition that the organisation is part of a wider societal network and has responsibilities to all of that network rather than just to the owners of the organisation. All organisations and institutions should be accountable to those who will be affected by decisions or actions, and that this must be recognised within the governance mechanisms. This accountability must extend to all organisations - both governmental institutions as well as the private sector and also to Civil Society Organisations (CSOs) - which must all recognise that they are accountable to the public and to their various stakeholders. One significant purpose of this is to ensure that any corruption is eliminated, or at the very least minimised (Aras and Crowther, 2009: 5-6).

3. Transparency : As a principle, transparency necessitates that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement. Transparency is of particular importance to external users of such information as these users lack the background detail and knowledge available to internal users of such information (Aras and Crowther, 2009: 3).

Forms of CSR

CSR initiatives may focus on people (human rights, children, the immediate community, labor rights, education, and/or those with financial or medical needs) and/or the natural environment (waste reduction, sustainable forest harvesting, recycling, noise reduction, restoration of indigenous plant life, and/or the sustainability of a manufacturing process).

In sum, the range of stakeholders and issues that are served through CSR initiatives may range from broad to narrow, depending on the corporation's resources and strategic decision making about where to focus their efforts.

Traditional forms of CSR activities:

Philanthropy : the corporations contribute money, services, products, or the like directly to a cause or social concern.

Cause promotion : the corporation contributes money or other resources to increase awareness of a cause or social concern.

Cause marketing : the corporation contributes a percentage of its consumer sales of particular products or services to a cause (e.g., on a particular day 20% of the purchase amount of a particular product is donated to a charity).

Social marketing : the corporation tries to influence behavior to promote a social good, such as recycling, seatbelt safety, or health.

Volunteering : the corporation encourages its employees to volunteer and/or partner with specific organizations; the corporation may allow employees to volunteer during work time (e.g., Home Depot may partner with Habitat for Humanity to allow workers time off to volunteer several hours per week) (Coombs and Holladay, 2012: 20-22).

Why Companies should be Involved in CSR Activities?

Companies are bound to meet their social obligations, but there are arguments and counter-arguments whether they should be socially involved to satisfy their social responsibility. Table 1 has enumerated several arguments for and against social involvement. Here, Robbins and Coulter (2012) have identified ten favourable arguments why companies should go with CSR agenda: (1) Public expectations of pursuing social goal by companies; (2) Having more secured long-run profits; (3) Ethical obligation to do right things; (4) Creating a favourable public image; (5) Better environment by solving social problems; (6) Discouragement of further governmental regulation; (7) Balancing responsibility and power; (8) Improving stakeholder interests; (9) Possession of resources for assistance toward social cause; and (10) Superiority of prevention of social problems over cures. However, there are also six arguments against the involvement of companies in social responsibility activities: (1) Possibility of violation of profit maximization objectives; (2) Dilution of primary purpose of economic productivity for pursuing CSR functions; (3) Involvement of costs; (4) Possibility of too much power to companies through CSR programs; (5) Lack of skills in addressing appropriate social concerns; and (6) Lack of direct accountability for social programs.

On the basis of survey of the findings of a number of studies, Robbins and Coulter (2012) have mentioned that there is a small positive relationship between a company's social involvement and its economic performance, but no generalizable conclusions can be made. However, the positive relationship does not necessarily mean that social involvement caused higher economic performance. Some studies have shown that participating in social issues not related to the organization's primary stakeholders is negatively associated with shareholder value. But a re-analysis of several studies concluded that managers can afford to be (and should be) socially responsible (Robbins and Coulter, 2012: 126-127).

Table 1 : Arguments For and Against Social Responsibility

For	Against
Public expectations Public opinion now supports businesses pursuing economic and social goals. Long-run profits Socially responsible companies tend to have more secured long-run profits. Ethical obligation Businesses should be socially responsible because responsible actions are the right thing to do. Public image Businesses can create a favorable public image by pursuing social goals. Better environment Business involvement can help solve difficult social problems. Discouragement of further governmental regulation By becoming socially responsible, businesses can expect less government regulation. Balance of responsibility and power Businesses have a lot of power and an equally large amount of responsibility is needed to balance against that power. Stockholder interests Social responsibility will improve a business's stock price in the long run. Possession of resources Businesses have the resources to support public and charitable projects that need assistance. Superiority of prevention over cures Businesses should address social problems before they become serious and costly to correct.	Violation of profit maximization Business is being socially responsible only when it pursues its economic interests. Dilution of purpose Pursuing social goals dilutes business's primary purpose - economic productivity. Costs Many socially responsible actions do not cover their costs and someone must pay those costs. Too much power Businesses have a lot of power already and if they pursue social goals they will have even more. Lack of skills Business leaders lack the necessary skills to address social issues. Lack of accountability There are no direct lines of accountability for social actions.

Source : Adapted from S. P. Robbins and M. Coulter (2012), Management (Upper Saddle River, New Jersey, USA: Prentice Hall): 126.

CSR Costs and Benefits

Coombs and Holladay (2012: 9-14) have given a broader view of the costs and benefits of CSR considering them from both the corporation's perspective and society's (stakeholders') perspective. But to pinpoint an issue as a cost or a benefit, there is a complexity of analyzing an argument, because the same argument is often used as both a benefit and cost of CSR. For instance, CSR is said to both reduce the competitiveness of a company (a cost, because engaging in CSR can consume resources) and increase the competitiveness of a corporation (a benefit, because the CSR effort can attract positive attention). The interpretative frame is largely a function of ideology. Those who favor the free market and profit view of corporations may view CSR as decreasing competitiveness, while those who support the business case for CSR favor CSR as increasing competitiveness. For proper analysis, Coombs and Holladay (2012) have suggested that managers should construct a CSR cost-benefit analysis (defining CSR as a process or as a general outcome or end, and defining a cost) around their own organization. This analysis is complicated by the fact that CSR is not unidimensional. Myriad initiatives count as CSR. But managers should begin with the general idea of CSR (the philosophy) and then move to considerations of specific activities that might mesh well with the corporation's mission and stakeholder expectations (the means or process). Coombs and Holladay (2012) have developed the following summary table (Table 2) for the CSR cost-benefit analyses.

Table 2: CSR costs and benefits

CSR Costs		CSR Benefits	
Costs to the Corporation	Costs to Society	Benefits to the corporations	Benefits to Society
• Businesses have a legal obligation to manage the company in the interest of shareholders - and not other stakeholders. • Large capital investments (e.g., in green technology) may be difficult to justify to	• Discourages government regulation and uniform application of rules. • Stakeholders may be co-opted by the corporation. • Marginalized stakeholders may remain marginalized.	• CSR can help avoid excessive governmental regulation. • CSR initiatives can enhance the social legitimacy of the corporation. • Socially responsible actions can be profitable; CSR can create cost-saving improvements.	• CSR helps to correct social and environmental problems caused by business operations. • CSR holds corporations accountable for their actions. • CSR leads corporations to avoid externalizing costs.

CSR Costs		CSR Benefits	
Costs to the Corporation	Costs to Society	Benefits to the corporations	Benefits to Society
shareholders who invest for the short term. • The pursuit of social goals dilutes businesses' primary purpose. • Stock devaluation may occur if financial analysts see the CSR initiatives as too costly. • The efficient use of resources will be reduced if businesses are restricted by CSR in how they can operate. • Developing and implementing a CSR policy will be a complex, costly, and time-consuming activity. • CSR costs will be passed on to consumers and reduce competitiveness. • CSR places unwelcome responsibilities on businesses rather than on governments or individuals.	• Environmental and social degradation may continue without CSR. • Governments and social welfare organizations may allow corporations to determine what is in the public interest. • CSR-related costs may simply be passed on to consumers.	• CSR can improve the corporation's reputation. • CSR initiatives will be attractive to some investors. • CSR profiles will attract customers. • Employee motivation and identification may be increased. • CSR can enhance their identity and corporate culture through values reinforcement and another - orientation. • Discussions about CSR encourage employees to think in new ways and develop new skills. • CSR initiatives may attract positive media coverage. • An improved stakeholder environment will benefit the corporation by reducing churn. • Partnering with other organizations	• Dialogue and partnerships among diverse stakeholders are encouraged. • CSR programs encourage corporations to see a wider range of perspectives. • Successful CSR initiatives lead other corporations to imitate those initiatives. • CSR contributes to social justice. • CSR can supplement governmental and social welfare programs to improve social and environmental concerns.

CSR Costs		CSR Benefits	
Costs to the Corporation	Costs to Society	Benefits to the corporations	Benefits to Society
• Failing to meet stakeholder expectations will create churn. • Stakeholders will place increasing CSR demands on organizations that commit to CSR. • Employees may fear that CSR threatens their jobs.		and/or third parties to share ideas can enhance capabilities, credibility, visibility, and reputation.	

Note : The inventories of costs and benefits presented here are not intended to be exhaustive. They represent common arguments for and against a CSR philosophy and/or initiatives.

Source : W. T. Coombs and S. J. Holladay (2012), *Managing Corporate Social Responsibility: A Communication Approach* (West Sussex, UK: Wiley-Blackwell): 11.

Three Overarching Concerns for CSR Initiatives

Coombs and Holladay (2012: 20-22) have identified following three overarching concerns for CSR initiatives:

1. Need to align stakeholder concerns with the strategic concerns of the corporation

The first issue is the need to align stakeholder concerns with the strategic concerns of the corporation. To be effective, a CSR initiative must simultaneously be salient to stakeholders and support the corporation's business strategy. Admittedly, this is a pragmatic view of CSR. The effectiveness of a CSR initiative is defined in terms of benefits to both stakeholders and corporations. Some claim that corporations should "do the right thing" to improve society and not worry about the return on investment. A small number of CSR initiatives may fall into the purely altruistic category. However, the vast majority of CSR initiatives involve corporations reaping some benefit as well. As

noted previously, those benefits might include improved employee morale, a more favorable reputation, increased sales, or reduced operating costs. CSR is more effective for corporations when it is integrated into their business strategies. Still, the CSR initiative must capture the concerns of stakeholders too. If a CSR initiative is not salient to stakeholders, it will be ignored by stakeholders and produce no benefit to the corporation.

2. Need for tangible gains for stakeholders' concerns

The second issue is the need for tangible gains for stakeholders' concerns, not symbolic actions that simply appear to make the world a better place. There is a danger of CSR-washing, which is giving the illusion of addressing environmental or social concerns when no substantive actions are taken or benefits are accrued. Any CSR initiative must demonstrate it actually makes a positive difference for stakeholders. If a CSR initiative claims to help protect indigenous rights, management should provide tangible evidence that it delivers on that promise. Corporations should report the outcomes produced through the CSR initiatives, even if those outcomes are less positive than anticipated. Ultimately, CSR initiatives need to be judged on their results, not their promises or appearances.

3. Importance of perceived justice in the CSR process

The third issue pertains to the importance of perceived justice in the CSR process. The term perceived is used because justice is perceptual rather than an absolute that is easy to measure. In essence, justice is about keeping the CSR process honest and transparent. Stakeholders should know how and why the corporation selected the CSR initiative and why other CSR concerns were not selected. Stakeholder engagement is a form of dialogue that offers significant contributions to perceptions of justice. Through engagement, stakeholders contribute to the decision-making process and understand how decisions are made. If that process is consistent and fair, stakeholders will perceive procedural justice surrounding the CSR process. Even formerly hostile stakeholders will accept decisions as just when they feel the decision-making process is fair (Jahansoozi, 2006, 2007). Moreover, how managers communicate with stakeholders during the engagement process helps to establish interactional justice. By treating stakeholders and their ideas with respect, management builds interactional justice. Perceptions of procedural and interactional justice make stakeholders more willing to accept and support rather than oppose decisions and the CSR initiatives born of those decisions.

CSR Programs: How to Operate

For CSR programs, the overarching mission of a company should provide the starting point. The mission defines why the corporate entity exists or how some of its subunit fits within a broader corporate architecture. Other important aspects of a corporate entity that should be linked with the CSR programs include core values (what the company's stakeholders believe in), vision (what the company wants to be), strategy (the game plan followed to achieve the mission and vision) and strategic Initiatives (what the company needs to do). Through these, the company at the end of the day expects to obtain the strategic outcomes: Satisfied Shareholders, Delighted Customers, Effective Processes, and Motivated and Prepared Workforce. The mission and the core values that accompany it remain fairly stable over time. The company's vision paints a picture of the future that clarifies the direction of the company and helps individuals to understand why and how they should support the company. In addition, it launches the movement from the stability of the mission and core values to the dynamism of strategy. Strategy is developed and evolves over time to meet the changing conditions posed by the real world. CSR programs should be a part of the overall corporate strategy.

There is debate over how best to ensure CSR remains unresolved between the advocates of a voluntary approach, based upon corporate self-regulation, and those demanding that corporate responsibility be given a statutory legal framework. When the CSR programs are voluntary and occasional, then it will depend on the discretion of the top management. But in case of regulatory requirement, the company should have prescribed strategy to operate the CSR programs.

Although Bangladesh's share of GHG emission is insignificant, it is one of the most climate change vulnerable countries in the world. However, Bangladesh has taken a good number of steps with a view to ensuring green financing and sustainable reporting but focus is mainly on banking sector. CSR Reporting is now mandatory for banks in Bangladesh from June 1, 2008. Green Reporting following GRI (Global Reporting Initiative) Guidelines has also been made compulsory for banks under a guideline issued on February 27, 2011 with a quarterly reporting from the quarter ending June 2011. For other entities, there are other regulatory pressures to be more environment-friendly and some tax benefits (e.g., tax rebate on prescribed CSR expenditures since 15.01.2009; no tax holiday to industrial undertaking without clearance from the Department of Environment since July 1, 2010) are given to motivate the corporate entities to be more responsible to sustainability triangle visualizing the economic, ecological and social considerations, but sustainability of CSR activities and reporting thereon are still at the discretion of the corporate Boards. Bangladesh Bank (BB) is the only central bank in the world to set an example of green banking.

Typology of CSR

Aras and Crowther (2009: 25-30) have developed a typology of CSR based on the stage of development of a corporate entity. This is based on a high degree of skepticism about the reality of corporate activity for social issues. Accusations of greenwashing - presenting a false picture - abound. Aras and Crowther (2009) have argued that this is a legacy of past behaviour when such an accusation could reasonably be made about many organisations. Their argument is that CSR is a developmental process and changes as organisations mature in their behaviour and attitude towards both their stakeholders and their ideas concerning social responsibility. There is a growing body of evidence to show that social responsibility behavior becomes reflected positively in the financial performance of a company, thereby providing a financial imperative for changing behaviour. Moreover, Aras and Crowther (2009) have argued that there are stages of growth as far as CSR is concerned which become reflected in corporate behaviour. These can be seen as increasing levels of maturity. Using these arguments Aras and Crowther (2009) have proposed a typology of CSR (see Table 3) which is based upon the three principles of social responsibility (sustainability, accountability, and transparency). It shows the way in which CSR develops in organisations as they become more experienced and more convinced of the benefits of a commitment to this form of corporate activity.

Table 3 : Stages of maturity of CSR activity

Stage of development	Dominant feature	Typical activity	Examples
1	Window dressing	Redesigning corporate reporting	Changed wording and sections to reflect CSR language
2	Cost containment	Re-engineering business processes	Energy efficiency programmes
3	Stakeholder engagement	Balanced scorecard development	Customer/employee satisfaction surveys
4	Measurement and reporting	Sophisticated tailored measures	CSR reports
5	Sustainability	Defining sustainability: re-engineering processes	Sustainability reporting
6	Transparency	Concern for the supply chain: requiring CSR from suppliers	Human rights enforcement: e.g. child labour
7	Accountability	Reconfiguration of the value chain	Relocating high value added activity in developing countries

This can be explained as stages of growth reflecting increased maturity. The stages can be elaborated as follows (Aras and Crowther, 2009: 27-30):

Stage 1 - Window Dressing : The initial engagement with CSR was to change corporate reporting to indicate a concern for CSR without any actual change in corporate behaviour. This is the stage which led to accusations of greenwashing. It is also the stage which most observers of corporate activity continue to see even though in reality probably every organisation has progressed to a stage of greater maturity

Stage 2 - Cost Containment : Corporations are always, of course, looking at their processes and seeking to operate more efficiently, thereby reducing costs. Organisations have realized that some of these can be represented as CSR activity - with things like energy efficiency or water efficiency being obvious examples. So there is a double imperative for this kind of activity - to improve financial performance and also improve the social responsible image. Not surprisingly therefore corporations quickly moved from Stage 1 to this stage - where action has been taken even though it is not necessarily motivated by a sense of social responsibility. Much of this kind of activity is easy to undertake and requires very little in the way of capital investment. Naturally this activity has been undertaken first. Activity requiring capital investment has a longer payback period and tends to be undertaken more cautiously, with the threat of regulation often being needed to encourage such activity. All organisations have progressed through this stage also, although it must be recognised that the possible actions under this stage will probably never be completed by most organisations. Such cost containment remains ongoing even when the easy targets have been addressed.

Stage 3 - Stakeholder Engagement : As stated earlier, all corporations are concerned with their important stakeholders and make efforts to satisfy their expectations. Thus a concern with employees and customers is apparent in all corporations, being merely a reflection of the power of those stakeholder groupings rather than any expression of social responsibility. Similarly in some organisations a concern for the environment is less a representation of social responsibility and more a concern for avoiding legislation or possibly a reflection of customer concern. Such factors also apply to some expressions of concern for local communities and society at large. For CSR though this concern has become formalised, often through the development of a balanced scorecard and such things as customer or employee satisfaction surveys. Most organisations have progressed through this stage also, with such activity being embedded into normal ongoing business practice.

Stage 4 - Measurement and Reporting : Some companies have been practicing social and environmental reporting for 15 years but for many it is more recent. Now most companies - certainly most large companies - provide this information in the form of a report. Over time, these reports have become more extensive and more detailed

with a broader range of measures of social and environmental performance being included. So most organisations have reached this stage of maturity. The problem with this stage though is that at the moment there are no standards of what to report and so organisations tend to report different things, thereby hindering comparability. Organisations such as AccountAbility, with its AA1000 standard, and the Global Compact have sought to redress this through the introduction of a standard but none have gained universal acceptance. Consequently it is probably true to state that this is the current stage of development for most organisations.

Stage 5 - Sustainability : The discourse of sustainability has become as ubiquitous as the discourse of CSR. Usually, however, there is uncertainty regarding what is meant by this sustainability. Clearly the vast majority do not mean sustainability in its standard meaning (societal influence, environmental impact, organisational culture, and finance). Often it appears to mean little more than that the corporation will continue to exist in the future. A full understanding of sustainability would imply radical changes to business practice and a significant amount of process re-engineering, and there is little evidence that this is happening. So most companies are only starting to reach this stage of maturity and to grapple with the issues involved.

Stage 6 - Transparency : One of the biggest issues of the moment is the question of firms accepting responsibility for what happens further along their supply chain. This is something that has been brought about largely because of customer pressure and has come about because of the revelations made about such things as child labour, slavery and other human rights abuses. So it is no longer acceptable for a firm to say that what happens in a supplying firm - or even the supplier of a supplier - is not their responsibility. Popular opinion says that companies, and so we wait for them to become sufficiently mature to enter this stage, are responsible for ensuring socially responsible behaviour among their suppliers as well as in their own company. This is an issue which is growing in importance and is being addressed by the more mature (in CSR terms) companies. Thus it is claimed that some companies are at this stage in their maturing, but still a minority of companies.

Stage 7 - Accountability : The final stage represents our wishes rather than actuality - at least so far! It is based upon the fact the multinationals can decide where to locate their operations and that all high value added operations are located in developed countries. For many it would be relatively easy to transfer to less developed countries and if that happened then the company would be making a real contribution towards effecting change. And usually there is no real cost involved.

Essentially the argument described above is that CSR must be considered as a process of development for every organisation - a process which will take place on an ongoing basis. Furthermore every organisation usually goes through the same stages in the same chronological order.

CSR Strategy: Structure and Contents

Strategy, as defined by Johnson, Scholes and Whittington (2009), is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. In this line, CSR Strategy of a company is thus expected to be associated with issues like these:

- the scope of the company's activities;
- the long-term direction of the company;
- advantage for the company over competition;
- strategic fit with the business environment through appropriate positioning;
- exploiting the strategic capability of the company, in terms of its resources and competences, to provide competitive advantage and/or yield new opportunities; and
- the values and expectations of powerful actors in and around the company.

Johnson, Scholes and Whittington (2009) have mentioned three levels of strategy for a company: corporate-level strategy (concerned with the overall purpose and scope of an organisation and how value will be added to the different business units of the organisation), business-level strategy (about how to compete successfully in particular markets), and operational strategies (concerned with how the component parts of an organisation deliver effectively the corporate and business-level strategies in terms of resources, processes and people). With respect to CSR strategy, as in the case of other corporate level strategies, the management of the company should be aware of its general characteristics such as complexity, a defining feature of strategy; uncertainty, an inherent attribute of strategy; operational decisions, which are linked to strategy; integration, which is required for effective strategy; relationships and networks outside the organisation, which are important in strategy; and change, which is typically a crucial component of strategy (Johnson, Scholes and Whittington, 2009: 6-8).

CSR strategy varies from one company to another depending on the area of operation, maturity, strength of resources, tone of the top management towards CSR, etc. Following points may be considered by organizations while making CSR strategy:

- To conduct study identifying and scanning international guidelines, and best practices of CSR in order to benchmark and describe the potential aspects of CSR in various sectors on the basis of these guidelines [such as Sullivan

Principles (Annex-1); Ten Principles of the United Nations Global Compact (Annex-2); Equator Principles applicable for Financial Institutions (Annex-3); ISO 26000 - Social Responsibility (Annex-4); and OECD Guidelines for Multinational Enterprises (Annex-5)].

- To conduct a fact finding study through a survey and analysis in order to diagnose the level of CSR understanding, commitment and implementation.
- To analyze the gap between actual understanding, adherence and implementation of CSR principles and the benchmarks developed.
- To design a CSR strategy based on the diagnostic (Gap Analysis) of the CSR and political context and the outputs and outcomes of current situation, which will be basis for an intervention strategy to address these gaps. Potential activities could be in the field of training, awareness building, manuals, peer reviews, mentorships etc.
- To identify a comprehensive list of organizations that can form a representative sample from the different sectors.
- To assess the relative importance of the different stakeholders, analyze the power relations between the different groups, and identify the groups' representatives who are genuine advocates of the views of their constituents.
- To identify the different resources available within the sector in general and within an organization (initiatives, expertise, financial, and voluntary work), how those resources are constrained or leveraged, the presence of executive leadership, and any other additional resources, either permanent or temporary, that may be needed over time.

The structure of the CSR Strategy should contain the following components:

Introduction

Definitions

Context

Segments of CSR

Mission and Vision of the Company

Goal and Objectives of CSR Program

Scope

Procedure of Approval of CSR Project

Policy Requirements

The above components have been briefly explained below.

Introduction

Here a brief introduction of the importance of CSR agenda should be delineated from the view point of stage of maturity of the company. The question of fullest observance of regulatory compliance should be explicitly clarified here. In this context, compliance with the laws and rules specifically relevant to the company can be mentioned here, such as various environmental compliance to the full satisfaction of the Department of Environment (www.doe-bd.org), reporting compliance to the satisfaction of the Registrar of Joint Stock Companies and Firms (www.roc.gov.bd), tax compliance to the satisfaction of the National Board of Revenue (www.nbr-bd.org), proper observance of the labour code and other security regulations, due compliance with foreign exchange regulations, regular payment of utility bills, etc. Since the CSR programs must be linked with the profitability of a company, in this section the level of economic obligations satisfied by the company towards the shareholders is also to be stated. While the regulatory compliance will be described, the company-specific community stakeholders can be identified and enumerated and how the individual social obligations pertinent to a distinct group of community stakeholders have been satisfied can be described. Even if there is any program undertaken by a company as initiated from social responsiveness, that can be mentioned here. Thus, a reader should understand the level of maturity of the corporate entity to start its venture in fulfilling true social responsibilities.

Definitions

In this part, the terms and concepts which have special meaning or any meaning specific to a concerned company, should be given.

Based on the vocabulary of strategy provided in standard textbooks on strategy (vide Johnson, Scholes and Whittington, 2009: 8-12) and other literature, following definitions are provided as a general guideline to help in developing organization-specific contextual definitions by a company for its CSR strategy:

(i) **Mission** : A mission is a general expression of the overall purpose of the company, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the company. It is sometimes referred to in terms of the apparently simple but challenging question: 'What business are we in?'

(ii) **Vision** : A vision or strategic intent is the desired future state of the company. It is an aspiration around which a strategist, perhaps a chief executive, might seek to focus the attention and energies of members of the company.

- (iii) **Core values** : The core values are what the company's stakeholders believe in.
- (iv) **Goal** : If the word goal is used, it usually means a general aim in line with the company's mission. It may well be qualitative in nature.
- (v) **Objective** : If the term objective is used, it is more likely to be quantified, or at least to be a more precise aim in line with the company's goal.
- (vi) **Strategic capability** : Strategic capability is concerned with the resources and competences that the company can use to provide value to customers or clients. Unique resources and core competences are the bases upon which the company achieves strategic advantage and is distinguished from competitors.
- (vii) **Business model** : A business model of a company describes the structure of product, service and information flows and the roles of the participating parties. For example, a traditional model for manufactured products is a linear flow of product from component manufacturers to product manufacturers to distributor to retailers to consumers. But information may flow directly between the product manufacturer and the final consumer (advertising and market research).
- (viii) **Strategic control**: Strategic control of a company involves monitoring the extent to which the strategy is achieving the objectives and suggesting corrective action (or a reconsideration of the objectives).

The list is not an exhaustive one and subject to include those issues that need explanation. For example, the name of California-based shoe-company "TOMS" (www.toms.com) is actually short for a "better tomorrow" (Robbins and Coulter, 2012: 124). If this is included in the list of definitions, that will convey a fundamental message of the business goal of the company.

Context

Here a description of the background introducing the CSR programs by the company is to be given. The focus should be given on the importance of management practices and procedures followed by the company in maximizing the economic performance and the legal compliance and how the CSR activities are targeted to fulfill the ethical and discretionary responsibilities in eliminating or minimizing the social concerns. Community stakeholders of the company should be identified here with mentioning of the geographical locations (where the company should have business operations), characteristics of those stakeholders (advocacy group or social pressure group or civil society organizations), the linkage between corporate business activities and the social agenda, motivational background not as a social obligation/responsiveness rather as a responsibility and so on. CSR is expected to exclude pure philanthropic or charity programs, but if a company through its business model can transform this philanthropy into branding, then it is fit for a CSR strategy. For example, Toms Shoes (California-

based shoe company) has successfully done it by "blending charity with commerce." The business model of Toms Shoes "One for One" refers to the company's promise to deliver a pair of free, new shoes to a child in need for every sale of their retail product. Through this model, the company is both selling shoes and selling its ideal; creating consumers that are purchasing shoes and also making a purchase that transforms them into benefactors - a company goal although it is not a consumer goal (http://en.wikipedia.org/wiki/Toms_Shoes). However, ad hoc donations to religious or educational institutions or relief programs during disasters are not CSR actions, rather they may be within the scope of social responsiveness.

Segments of CSR

In this section, the company's overall initiatives on CSR should be categorized into specific segments. This will help in national level social statistics. Segments of CSR programs may include: CSR for the workplace of the company (may be for working environment, recruitment policy of human resources, behavior with the staff, etc.); CSR for the marketplace of the company (may be the way the customers and suppliers are treated or handled); CSR for the external physical environment related to the company (may be for level of impact on the environment); and CSR for the community stakeholders of the company (may be for the consumer associations, civil society organizations, social organizations, etc.). CSR activities may also be classified on the basis of nature of the work involved such as: CSR for Basic Needs (food security, accommodation, and cloth-supply); CSR for rehabilitation/awareness; CSR for health; CSR for welfare of the distressed people; CSR for human resource development; CSR for women empowerment; and CSR for environment; CSR for national cause; etc.

Mission and Vision of the Company

Here the mission (the overall purpose of the company) and the vision (the desired future state of the company) should be mentioned with a view to justify that the CSR programs are not inconsistent with the company's mission and vision and they are very much actions to achieve the mission and vision.

Goal and Objectives of CSR Program

Here the goal (in qualitative terms) and the objectives (as far as possible in quantitative expression) of the CSR programs have to be presented. Say, if a company producing energy-saving bulb has a CSR program to distribute 10 bulbs freely for 100 bulbs sold to replace 10 regular energy-consuming bulbs in slum area, its goal may be expressed as "to contribute towards saving the resources by reducing the energy consumption," whereas its objectives might be "to replace 100,000 regular energy-consuming bulbs in slum area by our energy-saving bulbs by 2015." The goal and objectives of CSR

programs may be on the basis of segments of CSR. Then segment-wise specific commitments towards individual category of CSR programs should be devised. This will help in CSR reporting and disclosure and also in evaluating the CSR strategy.

Scope

The scope will show the extent of business units of the company under the CSR programs. At the beginning stage, CSR programs might be for a single strategic business unit (SBU), which is a part of the company for which there is a distinct external market for goods or services that is different from another SBU. Over the years, the company may expand the CSR programs to all SBUs or all geographical locations.

Procedure of Approval of CSR Project

Since CSR programs are under the corporate-level strategies, they should be developed, implemented and monitored from the top of the company's administration. However, a formal stated procedure of approval might help in setting the CSR agenda on timely basis on the basis of the three principles of CSR (sustainability, accountability, and transparency). There should be a management committee which will prepare an articulated CSR checklist with cost-benefit analyses and that will be supported with budget and time-horizon (see Annex-6: Sample Format for CSR Budget with two formats: Format-A: General CSR Budget and Format-B: CSR Budget for Application to the NBR for Tax Rebate). Then it should be placed as CSR project along with the implementation status of the preceding programs to the Board of Directors for approval. After approval, they should be given to the designated management committee for implementation.

Policy Requirements

In this section, the roles and responsibilities of persons to be engaged in implementing the CSR programs are to be defined. Usually, a CSR Committee of the company, which will be a management committee, should own the CSR activities. They will identify individual executives at field level who will implement the CSR programs at an ongoing basis. CSR job should also be assigned to individual field staff with defined course of actions. From the policy perspective, in this section, segment-wise CSR concerns should be detailed so that general public awareness will facilitate the successful implementation of CSR programs as corporate responsibilities. This also helps in introducing social audit.

A sample CSR strategy has been provided in Annex-7 (Annex-7: Sample CSR Strategy), that can be used by a company as dummy for practical purpose in developing its CSR strategy.

CSR Activities: How to Prioritize

With a view to prioritizing the CSR programs, philanthropic programs might not be linked with business operations. But assessing the interaction of the company with its marketplace, workplace, environment and community, the company should select the target areas which also should align with the mission, core values, vision and desired strategic outcomes. However, we can check the following list of CSR activities as a starting point, which has been prepared on the basis of various SROs (Statutory Regulatory Orders) of the National Board of Revenue (see Annex-8: S.R.O. No. 08-Ain/2009, dated 15.01.2009; Annex-9: S.R.O. No. 270-Ain/Aykar/2010, dated 01.07.2010; Annex-10: S.R.O. No. 229-Ain/Aykar/2011, dated 04.07.2011; and Annex-11: S.R.O. No. 223-Ain/Aykar/2012, dated 27.06.2012).

CSR Activities allowed for Income Tax Rebate: Effective from July 1, 2012

1. Basic Needs:

- (a) Assistance to organizations engaged in establishment and management of old persons' homes;
- (b) Financial help to organizations engaged in projects on accommodation for the slum-dwellers;
- (c) Monetary aid to organizations engaged in feeding and clothing and sheltering and rehabilitation of orphan/rootless children;

2. Rehabilitation/Awareness:

- (a) Financial assistance made to non-profit voluntary social welfare organizations engaged for running rehabilitation center, creation of awareness and treatment of HIV, AIDS and Drug-addicted; and
- (b) Help to non-profit voluntary social welfare organizations engaged for running rehabilitation center for recovered children/women of cross boarder trafficking.

3. Health/Welfare:

- (a) Contributions to organizations engaged in the welfare of mentally or physically handicapped;
- (b) Assistance to organizations engaged in health-some sanitation in Chittagong Hill Tracts, char areas and areas surrounding breaking up of banks of river;

- (c) Financial help to organizations engaged in treating cleft lips, cataract, cancer and leprosy;
- (d) Monetary aid to organizations engaged in treating acid victims;
- (e) Help to hospitals engaged in providing free medical treatment to poor patients and specialized for developing the quality of treatment, such as cancer, liver, kidney, thalassemia, eye and cardio;

4. Education/Training:

- (a) Contributions to educational institutions run for the purpose of education of rootless children;
- (b) Funds contributed to Public Universities;
- (c) Expenditure incurred through educational institutions recognized by Government for providing technical and vocational education for meritorious poor students;
- (d) Money invested in establishing lab for providing training on computer or information technology and in establishing infrastructure or in purchasing educational materials for implementing English education in public/private educational institutions (under Monthly Payment Order or MPO);
- (e) Assistance to organizations engaged in providing technical and vocational training to unskilled or semi-skilled labour for export of human resources; and
- (f) Contributions to organizations involved with infrastructure of sports and provision of training at national level.

5. Women Empowerment:

- (a) Financial help to social organizations engaged in publicity of movements relating to women's rights and anti-dowry practices;

6. Environment:

- (a) Assistance for redressing the hardships caused by natural calamities such as cyclone, earthquake, tidal wave and flood channeled through Government organizations;

7. Liberation War/ Father of the Nation:

- (a) Contributions to organizations engaged in research on liberation war, regaining and expansion of the consciousness of the independence war and the act of honourable living of the freedom fighters;
- (b) Monetary aid to national level institution set up in memory of the liberation war;
- (c) Financial help to national level institution set up in memory of Father of the Nation.

However, to obtain the tax incentives, the company has to apply to the NBR (see Annex-12: Sample Application to the NBR for Income Tax Rebate on CSR Expenditure) along with a brief description of the company and due diligence (see Annex-13: Brief Description of the Company's Business and Due Diligence) and should submit a CSR strategy (see Annex-14: Sample CSR Strategy) with a formal activity-wise annual budget to the NBR for its approval.

Concluding Remarks

The CSR strategy guidebook is targeted to facilitate the intending company which desires to start its CSR initiatives to be good corporate citizen. However, a good coverage of various aspects of CSR have been clarified to better understand what should be included in the CSR programs. This is particularly important for those corporate entities which are yet to differentiate the social obligations from social responsiveness, both of which are different from social responsibilities. Thereby they would possibly shift their social aspect of corporate culture from obligations to responsiveness to responsibilities. And the corporate social responsibilities are to be really implemented and thereby their overall governance will be heightened to the desired level.

Annexes

Annex-1: Sullivan Principles

The Sullivan Principles are indicators of CSR making a difference on a global scale through fair treatment of workers and socially responsible investing (SRI). The principles are the names of two corporate codes of conduct, developed by the African-American Baptist minister Rev. Leon Howard Sullivan (1922-2001), promoting CSR:

The original Sullivan principles were developed in 1977 during Rev. Sullivan's longtime involvement with General Motors as a Board Member (over 20 years since 1971) to apply economic pressure on South Africa in protest of its system of apartheid. The principles eventually gained wide adoption among United States-based corporations.

The new global Sullivan principles were created in 1991 and jointly unveiled in 1999 by Rev. Sullivan and United Nations Secretary General Kofi Annan. The new and expanded corporate code of conduct, as opposed to the originals' specific focus on South African apartheid, were designed to increase the active participation of corporations in the advancement of human rights and social justice at the international level.

The Sullivan Principles read:

The Sullivan Principles

1. Non-segregation of the races in all eating, comfort, and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other nonwhites for supervisory, administrative, clerical, and technical jobs.
5. Increasing the number of blacks and other nonwhites in management and supervisory positions.
6. Improving the quality of life for blacks and other nonwhites outside the work environment in such areas as housing, transportation, school, recreation, and health facilities.
7. Working to eliminate laws and customs that impede social, economic, and political justice. (added in 1984)

The Global Sullivan Principles read:

The Global Sullivan Principles

The Principles :

As a company which endorses the Global Sullivan Principles we will respect the law, and as a responsible member of society we will apply these Principles with integrity consistent with the legitimate role of business. We will develop and implement company policies, procedures, training and internal reporting structures to ensure commitment to these principles throughout our organization. We believe the application of these Principles will achieve greater tolerance and better understanding among peoples, and advance the culture of peace.

Accordingly, we will :

1. Express our support for universal human rights and, particularly, those of our employees, the communities within which we operate, and parties with whom we do business.
2. Promote equal opportunity for our employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude, or other forms of abuse.
3. Respect our employees' voluntary freedom of association.
4. Compensate our employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.
5. Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.
6. Promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.
7. Work with governments and communities in which we do business to improve the quality of life in those communities - their educational, cultural, economic and social well-being - and seek to provide training and opportunities for workers from disadvantaged backgrounds.
8. Promote the application of these principles by those with whom we do business.

We will be transparent in our implementation of these principles and provide information which demonstrates publicly our commitment to them.

Source : W. T. Coombs and S. J. Holladay (2012), *Managing Corporate Social Responsibility: A Communication Approach* (West Sussex, UK: Wiley-Blackwell): 1-2; http://en.wikipedia.org/wiki/Sullivan_principles.

Annex-2 : Ten Principles of the United Nations Global Compact

The Global Compact, a guide to being ethical in international business, was announced by the then UN Secretary-General Kofi Annan in an address to The World Economic Forum on January 31, 1999, and was officially launched at UN Headquarters in New York on July 26, 2000. The Global Compact was initially launched with nine Principles. On June 24, 2004, during the first Global Compact Leaders Summit, Kofi Annan announced the addition of the tenth principle against corruption. The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

- Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 : make sure that they are not complicit in human rights abuses.

Labour

- Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 : the elimination of all forms of forced and compulsory labour;
- Principle 5 : the effective abolition of child labour; and
- Principle 6 : the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7 : Businesses should support a precautionary approach to environmental challenges;
- Principle 8 : undertake initiatives to promote greater environmental responsibility; and
- Principle 9 : encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

Source : <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

Annex-3: Equator Principles (applicable for Financial Institutions)

The Equator Principles (EPs) are a voluntary set of standards for determining, assessing, and managing social and environmental risk in project finance, in which the lender looks primarily to the revenues generated by a single project both as the source of repayment and as security for the exposure. Equator Principles Financial Institutions (EPFIs) committed to not providing loans to projects where the borrower will not or is unable to comply with their respective social and environmental policies and procedures that implement the EPs. The Equator Principles were developed by private-sector banks-led by Citigroup, ABN AMRO, Barclays, and WestLB-and were launched in June 2003. The banks chose to model the Equator Principles on the environmental standards of the World Bank and the social policies of the International Finance Corporation (IFC). The EPs apply to all new project financings globally with total project capital costs of \$10 million or more, and across all industry sectors. The principles are also applicable to all project financings covering expansion or upgrade of an existing facility and project finance advisory activities. The Equator Principles (EPs) read:

The Equator Principles

Principle 1 :

Review and Categorisation : The risk of the project is categorized in accordance with internal guidelines based upon the environmental and social screening criteria of the IFC. Projects are classified, relating to social or environmental impacts, in Category A (significant impacts), Category B (limited impacts), and Category C (minimal or no impacts).

Principle 2 :

Social and Environmental Assessment : For all medium- or high-risk projects (Category A and B projects), sponsors complete an Environmental Assessment, the preparation of which must meet certain requirements and satisfactorily address key environmental and social issues.

Principle 3 :

Applicable Social and Environmental Standards : The environmental assessment report addresses baseline environmental and social conditions, requirements under host country laws and regulations, applicable international treaties and agreements, sustainable development and use of renewable natural resources, protection of human health, cultural properties, and biodiversity, including endangered species and sensitive ecosystems, use of dangerous substances, major hazards, occupational health and safety, fire

prevention and life safety, socio-economic impacts, land acquisition and land use, involuntary resettlement, impacts on indigenous peoples and communities, cumulative impacts of existing projects, the proposed project, and anticipated future projects, participation of affected parties in the design, review and implementation of the project, consideration of feasible environmentally and socially preferable alternatives, efficient production, delivery and use of energy, pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions), and solid and chemical waste management.

Principle 4:

Action Plan and Management System: Based on the Environmental Assessment, Equator banks then make agreements with their clients on how they mitigate, monitor and manage those risks through a "Social Environmental Management Plan".

Principle 5 :

Consultation and Disclosure : For risky projects, the borrower consults with stakeholders such as NGOs and affected groups and provides them with information on the risks of the project. The borrower has to consult the project affected communities in a structured and culturally appropriate manner. The process will ensure free, prior, and informed consultation for affected communities.

Principle 6:

Grievance Mechanism : The borrower will establish a grievance mechanism as part of the management system.

Principle 7:

Independent Review : For the Assessment, Assessment Plan and consultation process.

Principle 8:

Covenants : Incorporation of covenants linked to compliance. Compliance with the plan is required in the covenant. If the borrower does not comply with the agreed terms, the bank will take corrective action, which if successful, could ultimately result in the bank cancelling the loan and demanding immediate repayment.

Principle 9:

Independent Monitoring and Reporting : Over the life of the loan, in Category A and, if necessary in Category B, an independent expert is consulted.

Principle 10 :

EPFI Reporting : Each EPFI commits to report publicly at least annually about its Equator Principles implementation processes and experience.

Source : <http://www.equator-principles.com/index.php/about-ep/the-eps>

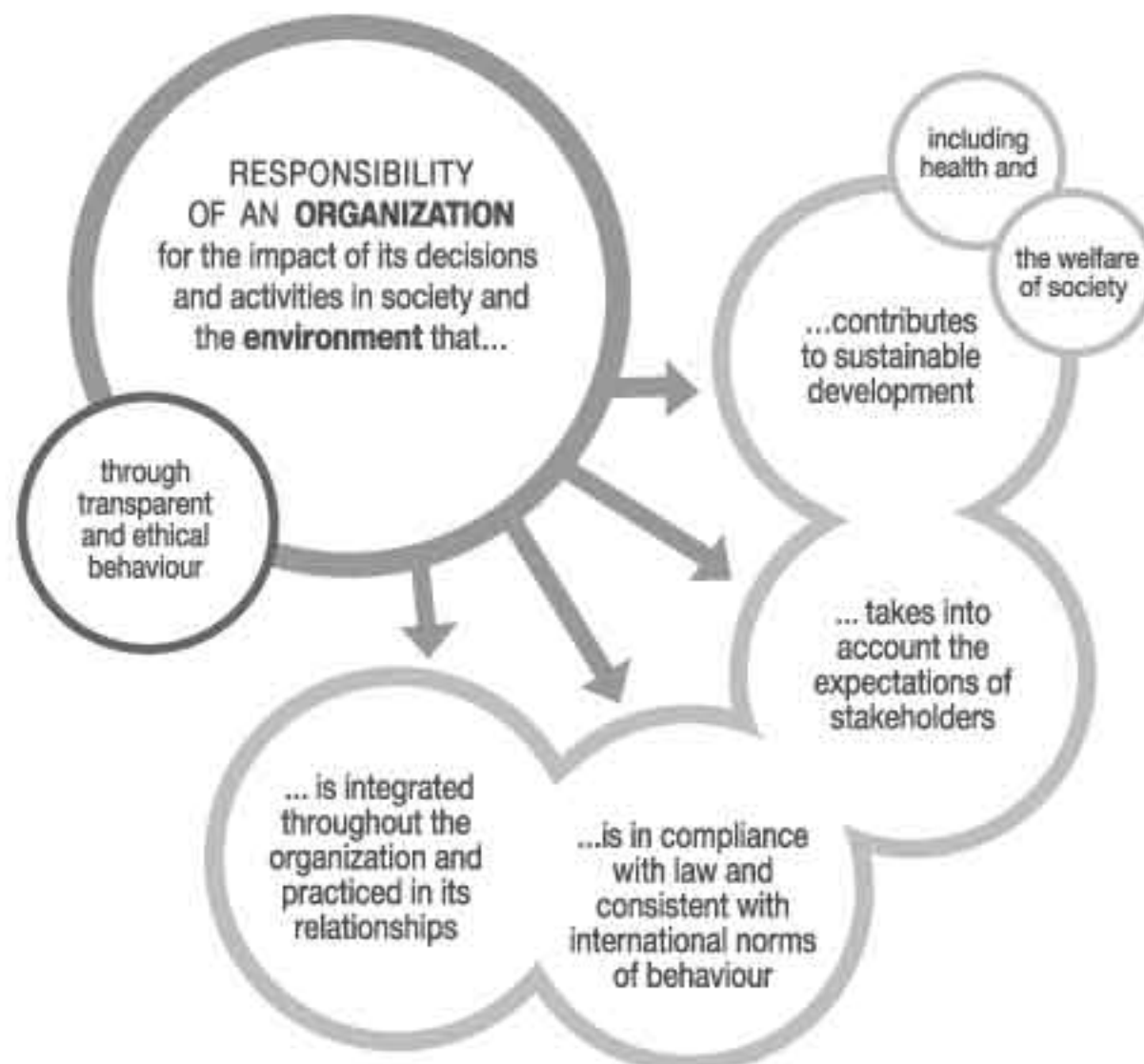
Annex-4: ISO 26000 - Social Responsibility

ISO 26000, launched in November 2010 by the International Organization for Standardization [www.iso.org], provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society.

ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.

Definition : Social responsibility

ISO 26000 defines social responsibility as:



Source : http://www.iso.org/iso/iso26000_sr.pdf

Social responsibility : 7 core subjects

The 7 core subjects of social responsibility, as per ISO 26000 are as follows:

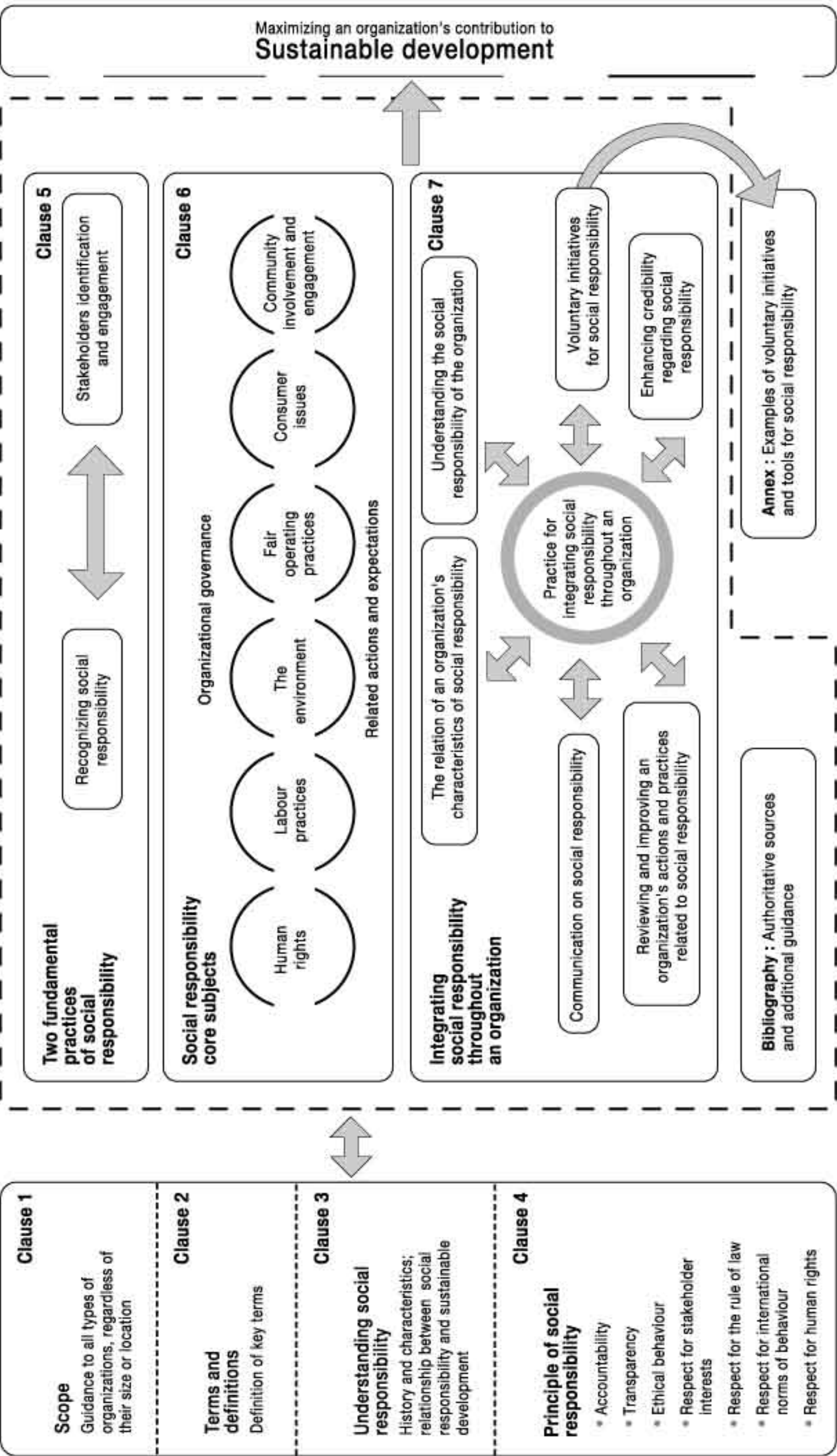


*The figures denote the corresponding clause numbers in ISO 26000.

Source : http://www.iso.org/iso/sr_7_core_subjects.pdf

Schematic Overview of ISO 26000

A schematic overview of ISO 26000 is as follows:



Source : http://www.iso.org/iso/sr_schematic-overview.pdf

Annex-5: OECD Guidelines for Multinational Enterprises

OECD (Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises, hereinafter Guidelines, are recommendations jointly addressed by governments to multinational enterprises. They provide principles and standards of good practice consistent with applicable laws and internationally recognised standards. Observance of the Guidelines by enterprises is voluntary and not legally enforceable. Nevertheless, some matters covered by the Guidelines may also be regulated by national law or international commitments. Below is the most important part of the Guidelines relevant to CSR:

General Policies

Enterprises should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard:

A. Enterprises should:

1. Contribute to economic, environmental and social progress with a view to achieving sustainable development.
2. Respect the internationally recognised human rights of those affected by their activities.
3. Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice.
4. Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labour, taxation, financial incentives, or other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices, including throughout enterprise groups.
7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.

8. Promote awareness of and compliance by workers employed by multinational enterprises with respect to company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against workers who make bona fide reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise's policies.
10. Carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts as described in paragraphs 11 and 12, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation.
11. Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.
12. Seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship.
13. In addition to addressing adverse impacts in relation to matters covered by the Guidelines, encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines.
14. Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities.
15. Abstain from any improper involvement in local political activities.

B. Enterprises are encouraged to:

1. Support, as appropriate to their circumstances, cooperative efforts in the appropriate fora to promote Internet Freedom through respect of freedom of expression, assembly and association online.

2. Engage in or support, where appropriate, private or multi-stakeholder initiatives and social dialogue on responsible supply chain management while ensuring that these initiatives take due account of their social and economic effects on developing countries and of existing internationally recognised standards.

Source : OECD (2011), OECD Guidelines for Multinational Enterprises, (Paris: OECD Publishing): 17-210. <http://dx.doi.org/10.1787/9789264115415-en>

Annex-6 : Sample Format for CSR Budget

Format-A : General CSR Budget

ANNUAL BUDGET FOR CSR ACTIVITIES

For the Year Ended

Sl.	CSR Items	Budget
1	Green Finance related CSR:	
	(a) Expenditures for undertaking Environmental Due Diligence (EDD): ¹ • Honorarium to external specialists (individuals/firms) for impact assessment, and reporting • Fees for external social auditors	
	(b) Expenditures for initiating In-house environment Management: • Cost of inventory-taking of the consumption of water, paper, electricity, energy etc. • Investment in WAN/LAN for online communication for office management • Cost of install energy efficient electronic equipments and automatic shutdown of computers, fans, lights, air coolers etc.	
	(c) Opportunity cost of giving preference to financing eco-friendly business activities and energy efficient industries	

¹ EDD is with a view to eliminating/reducing Environmental Risk (e.g., Land use) and Climate Change Risk (e.g., climate change related events such as cyclone/drought, animal diseases/pathogens such as avian influenza, solid waste including waste feed, animal waste, carcasses, sediments, wastewater discharges, hazardous materials, etc.).

Sl.	CSR Items	Budget
	(d) Cost of risk in financing economic activities of the flood, cyclone and drought prone areas at the regular interest rate without charging additional risk premium	
	(e) Cost of green marketing	
	(f) Expenditures for online banking: • Maintenance cost to make bank transactions or pay bills via the Internet on a secure website that allows our customers to make deposits, withdrawals and pay bills. • Assurance costs	
	(g) Cost of supporting employee training and consumer awareness on environmental and social risks and green event	
	(h) Cost of preparation of disclosure and reporting of green banking activities	
2	Community Investments: (a) Cost of employee volunteering in natural disasters (b) Cost of supporting eye-camps at rural areas	
3	Social Projects: (a) Cost of establishment of a clinic to provide free medical services (b) Cost of distributing a fraction of the product price for a designated social project (e.g., 5 percent of the sales price will be contributed to Lalbag Orphanage)	

Note: Change/customize any item, which is specific to a company. Add the particulars of the organization(s) to which the specific financial assistance toward CSR expenditure has been or is to be made.

Format-B : CSR Budget for Application to the NBR for Tax Rebate

ANNUAL BUDGET FOR CSR ACTIVITIES

For the Year Ended

Sl.	CSR Items	Budget
1	Support for redressing the hardships caused by natural calamities such as cyclone, earthquake, tidal wave and flood channeled through Government organizations	
2	Support to organizations engaged in establishment and management of old persons' homes	
3	Support to organizations engaged in the welfare of mentally or physically handicapped	
4	Support to educational institutions run for the purpose of education of rootless children	
5	Support to organizations engaged in projects on accommodation for the slum-dwellers	
6	Support to social organizations engaged in publicity of movements relating to women's rights and anti-dowry practices	
7	Support to organizations engaged in feeding and clothing and sheltering and rehabilitation of orphan/rootless children	
8	Support to organizations engaged in research on independence war, regaining and expansion of the consciousness of the independence war and the act of honourable living of the freedom fighters	
9	Support to organizations engaged in health-some sanitation in Chittagong Hill Tracts, char areas and areas surrounding breaking up of banks of river	
10	Support to organizations engaged in treating cleft lips, cataract, cancer and leprosy	
11	Support to organizations engaged in treating acid victims	
12	Support to hospitals engaged in providing free medical treatment to poor patients and specialized for developing the quality of treatment, such as cancer, liver, kidney, thalassemia, eye and cardio	
13	Support to Public Universities	
14	Expenditure incurred through educational institutions recognized by Government for providing technical and vocational education for meritorious poor students	
15	Money invested in establishing lab for providing training on computer or information technology and in establishing infrastructure or in purchasing educational materials for implementing English education in public/private educational institutions (under Monthly Pay Order or MPO)	

Sl.	CSR Items	Budget
16	Support to organizations engaged in providing technical and vocational training to unskilled or semi-skilled labour for export of human resources	
17	Support to organizations involved with infrastructure of sports and provision of training at national level	
18	Support to national level institution set up in memory of the liberation war	
19	Support to national level institution set up in memory of Father of the Nation	
20	Support to non-profit voluntary social welfare organizations engaged for running rehabilitation center, creation of awareness and treatment of HIV, AIDS and Drug-addicted	
21	Support to non-profit voluntary social welfare organizations engaged for running rehabilitation center for recovered children/women of cross boarder trafficking	

Note : Delete any item, which is not applicable. Add the particulars of the organization(s) to which the specific donation has been or is to be made.

Annex-7 : Sample CSR Strategy

(Name of the Corporate Entity)
Sample CSR Strategy

1.0 Context

- 1.1. [Company Name] recognizes the importance of its role in managing social, economic and environmental issues. Corporate Social Responsibility (CSR) is the principal way [Company Name] seeks to coordinate and manage practices to maximize positive social and economic contribution and minimize the environmental impacts of its business. Engagement with key clients, employees, community, environmental stakeholders, regulators, business partners, suppliers, and our shareholders is central to [Company Name]'s approach to CSR.
- 1.2. [Company Name] divides CSR into four segments:
 - **Marketplace** : How we work with our customers and suppliers
 - **Workplace** : Where we work, how we recruit and how we work with our staff
 - **Environment** : How we reduce our environmental impact
 - **Community**: How we engage with the community
- 1.3. The policy is related to and builds upon the values and standards of ethical behaviour outlined in [Company Name's] Code of Business Conduct.

2.0 Objectives

The objectives of this Policy Statement are to:

- 2.1. Clarify roles and responsibilities in respect of CSR
- 2.2. Outline the commitment and requirements for the CSR segments of: Marketplace, workplace, environment and community

3.0 Scope

- 3.1. This Policy applies to all divisions (including their business units and service lines) in [Company Name].

4.0 Policy Requirements

4.1. Roles & responsibilities

- 4.1.1. **Ownership of CSR** : The **CSR Committee**, a Management Committee of [Company Name] is accountable for CSR in the country. The coordination of CSR initiatives and activities will be owned on this Committee which will report regularly on CSR status, progress and issues to the Board.

- 4.1.2. **Executive Management** : Responsible for ensuring that key strategic and operational decisions in their area take into account CSR considerations, supporting CSR initiatives and practices through role-modeling and the allocation of sufficient resources, raising the profile of CSR and overseeing that their area complies with this policy.
- 4.1.3. **Staff** : Responsible for behaving in a corporately responsible way, adhering to this policy and enabling [Company Name] to make a positive social, economic and environmental contribution.

4.2. Marketplace

- 4.2.1. [Company Name] will operate in accordance with the values and standards of behaviour set out in its Code of Business Conduct and all applicable laws and regulatory requirements, and provide a mechanism and process whereby illegal and/or unethical behaviour can be reported and addressed.
- 4.2.2. [Company Name] will provide products and services to meet the needs of its clients, while having consideration for the impact on the natural environment and communities where we operate.
- 4.2.3. [Company Name] will provide high standards of service to clients, and have complaints procedures for clients to ensure their concerns are efficiently addressed on those occasions where there is a problem.
- 4.2.4. [Company Name] will take a partnership approach to supply chain relations, as outlined in our Supplier of Code of Conduct, ensuring that payments are made promptly, supplier complaints are reviewed, and that we use fair and transparent procurement methods.
- 4.2.5. [Company Name] will use its position in the marketplace to raise awareness of CSR with clients and the market, and help facilitate change to minimise impact on the natural environment and communities where we operate.

4.3. Workplace

- 4.3.1. [Company Name] will provide a workplace in which diversity is valued and there are equal opportunities. [Company Name] will provide a mechanism/s by which employees can raise their views and be engaged in change and issues that affect the company.
- 4.3.2. [Company Name] will provide a safe and secure workplace which is conducive to the health and welfare of employees.
- 4.3.3. [Company Name] will support employees with learning and development opportunities to help them reach their potential and maximise their contribution to [Company Name]'s strategy.

- 4.3.4. [Company Name] will recognise and reward individuals on the basis of their own performance and that of the company. [Company Name] will appraise performance on both the results that were achieved and how they were achieved.

4.4. Environment

- 4.4.1. [Company Name] will seek to minimise its energy, water and paper usage, through design, infrastructure and behaviour.
- 4.4.2. [Company Name] will seek to optimise the recycling of waste through providing adequate facilities and behaviour, and limit the use of hazardous material.
- 4.4.3. [Company Name] will seek to reduce unnecessary travel and encourage the use of alternative means of communication where practicable.
- 4.4.4. [Company Name] will incorporate environmental considerations into procurement decisions (including refurbishments/new building projects), and raise awareness/influence our supply chain to facilitate a reduction in their environment impact.

4.5. Community

- 4.5.1. [Company Name] will provide benefit to the community through the creation of jobs and the accompanying wealth produced, and through the investment of our money and time in the community.
- 4.5.2. [Company Name] will provide and support countrywide employee volunteering opportunities and support corporate fundraising campaigns.
- 4.5.3. [Company Name] will encourage and support employees in their own community activities and fundraising efforts, through the provision of time and/or financial contribution.
- 4.5.4. [Company Name] will encourage and facilitate employee giving by providing a Give-As-You-Earn (GAYE) facility.

5.0 Definitions

The following summarises key terms used in this Policy Statement:

- **Code of Business Conduct** - Sets out the standards of ethical behaviour required of all employees and officers, as well as all [Company Name] directors and agents whenever they are acting on behalf of the company.
- **Corporate Social Responsibility (CSR)** - The overall approach [Company Name] takes to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

- **Prescribed CSR activities** - The CSR activities enumerated in relevant Notification issued by the Internal Resources Division (IRD), Ministry of Finance (MoF), Government of the People's Republic of Bangladesh, as an SRO (Statutory Regulatory Order) published in the official Gazette for allowing income tax rebate.
- **Mission, core values, vision, and strategy** - The company's mission defines why it exists or how a business unit fits within a broader corporate architecture. The core values are what the company's stakeholders believe in. The mission and the core values that accompany it remain fairly stable over time. The company's vision paints a picture of the future that clarifies the direction of the company and helps individuals to understand why and how they should support the organization. In addition, it launches the movement from the stability of the mission and core values to the dynamism of strategy, the next step in the continuum. Strategy is developed and evolves over time to meet the changing conditions posed by the real world.

Annex-8 : S.R.O. No. 08-Ain/2009, dated 15.01.2009:



Government of the People's Republic of Bangladesh
Ministry of Finance
Internal Resources Division
(Income Tax)

Notification

Date: 02 Magh 1415 Bengali Year/15 January 2009 A.D.

S.R.O. No. 08-Ain/2009:- In exercise of the powers conferred by clause (b) of sub-section (4) of section 44 of the Income Tax Ordinance, 1984 (XXXVI of 1984), the Government is pleased to provide income tax rebate at the rate of 10% of actual money or expenditure invested by a corporate entity in cases of fulfilling corporate social responsibilities mentioned in the following Schedule-A, subject to the conditions stated in following Schedule-B, namely:-

Schedule-A

(Areas of fulfilling Corporate Social Responsibilities)

- (1) Clean water management;
- (2) Afforestation;
- (3) Beautification of cities;
- (4) Waste management;
- (5) Establishment and management of old persons' homes;
- (6) Contribution to organizations involved in raising consciousness about HIV/AIDS (human immunodeficiency virus/acquired immune deficiency syndrome);
- (7) Contribution to organizations engaged in the welfare of mentally or physically handicapped;
- (8) Contribution to organizations engaged in movements relating to women's rights and anti-dowry practices;
- (9) Grants to Public Universities;
- (10) Grants to organizations engaged in treating cleft lips, cataract, cancer and leprosy;

- (11) Grants to organizations engaged in treating acid victims;
- (12) Grants to educational institutions approved by Government for education of rootless children;
- (13) Donations for redressing the hardships caused by natural calamities such as earthquake, cyclone, tidal wave and hurricane channeled through Government organizations;
- (14) Expenditure incurred through educational institutions recognized by Government for providing technical and vocational education for poor; and
- (15) Special financial assistance through institutions approved by Government for facilitating higher education of meritorious students.

Schedule-B
(Conditions of Income Tax Rebate)

- (1) Those corporate entities will be willing or motivated to obtain tax rebate through social responsibility activities, such entities shall:
 - (a) have standardized salary structure, provident fund, gratuity fund, workers' participation fund and welfare fund;
 - (b) have arrangement for quick treatment and compensation in the event of accident of an officer or employee;
 - (c) not employ or in any way engage any child labour in activities;
 - (d) have Waste Treatment Plant, in case of production of industrial products in its factories; and
 - (e) pay income tax, value added tax (VAT) and customs duty regularly.
- (2) The expenditure on corporate social responsibility incurred by a corporate entity cannot be treated as allowable expenditures in Production Account, Trading Account or Profit & Loss Account.
- (3) Necessary evidences in relation to the fact that money claimed for fulfilling responsibility has actually been spent are to be submitted to the Deputy Commissioner of Taxes.

By the order of the President
Md. Emdadul Haque
Additional Secretary (Ex-officio)

Annex-9: S.R.O. No. 270-Ain/Aykar/2010, dated 01.07.2010:



Government of the People's Republic of Bangladesh
Ministry of Finance
Internal Resources Division
(Income Tax)

Notification

Date: 17 Ashar 1417 Bengali Year/1 July 2010 A.D.

S.R.O. No. 270-Ain/Aykar/2010:- In exercise of the powers conferred by clause (b) of sub-section (4) of section 44 of the Income Tax Ordinance, 1984 (XXXVI of 1984) and in suppression of its Notification No. S.R.O. 08-Ain/2009, dated 02 Magh 1415 Bengali Year/15 January 2009 A.D., the Government is pleased to provide income tax rebate at the rate of 10% of actual money or expenditure invested by a corporate entity in cases of fulfilling corporate social responsibilities mentioned in the following Schedule-B, subject to the conditions stated in following Schedule-A, namely:-

Schedule-A
(Conditions of Income Tax Rebate)

(1) Those corporate entities will be willing or motivated to obtain tax rebate through social responsibility activities, such entities:

- (a) shall have to pay regular salary and allowances to officers and employees worked and shall have arrangement of waste treatment plant in the factories operated by it, particularly in case of production of industrial products;
- (b) shall pay income tax, value added tax (VAT) and customs duty and institutional loan regularly.
- (c) can make donation or provide money within the scope of CSR only to organizations approved by the Government; and
- (d) shall comply with all the provisions existing in the Labour Act.

- (2) The money spent or expenditure incurred on fulfilling social responsibility by a corporate entity cannot be treated as allowable expenditures in Production Account, Trading Account or Profit & Loss Account.
- (3) Necessary evidences in relation to the fact that money claimed for fulfilling social responsibility has actually been spent are to be submitted to the concerned Deputy Commissioner of Taxes.
- (4) The CSR strategy adopted by a corporate entity shall have to be intimated to the National Board of Revenue and a certificate on income tax rebate in relation to that shall have to be obtained.

Schedule-B
(Areas of fulfilling Corporate Social Responsibilities)

- (1) Donations to organizations engaged in clean water management;
- (2) Donations to organizations engaged in afforestation;
- (3) Donations to organizations engaged in beautification of cities;
- (4) Donations to organizations engaged in waste management;
- (5) Donations for redressing the hardships caused by natural calamities such as cyclone, earthquake, tidal wave and flood channelled through Government organizations;
- (6) Donations to organizations engaged in establishment and management of old persons' homes;
- (7) Donations to organizations engaged in the welfare of mentally or physically handicapped;
- (8) Donations to educational institutions run for the purpose of education of rootless children;
- (9) Donations to organizations engaged in projects on accommodation for the slum-dwellers;
- (10) Donations to social organizations engaged in publicity of movements relating to women's rights and anti-dowry practices;
- (11) Donations to organizations engaged in feeding and clothing and sheltering and rehabilitation of orphan/rootless children;
- (12) Donations to organizations engaged in research on independence war, regaining and expansion of the consciousness of the independence war and the act of honourable living of the freedom fighters;

- (13) Donations to organizations engaged in healthsome sanitation in Chittagong Hill Tracts, char² areas and areas surrounding breaking up of banks of river;
- (14) Grants to organizations engaged in treating cleft lips, cataract, cancer and leprosy;
- (15) Grants to organizations engaged in treating acid victims;
- (16) Donations to hospitals engaged in providing free medical treatment to poor patients and specialized for developing the quality of treatment, such as cancer, liver, kidney, thalassemia, eye and cardio;
- (17) Donations to organizations distributing freely at the level of use of birth-control products with a view to solving the population problem and to conduct camps for voluntary sterilization;
- (18) Grants to Public Universities;
- (19) Expenditure incurred through educational institutions recognized by Government for providing technical and vocational education for meritorious poor students;
- (20) Money invested in establishing lab for providing training on computer or information technology and in establishing infrastructure or in purchasing educational materials for implementing English education in public/private educational institutions (under Monthly Pay Order or MPO);
- (21) Donations to organizations engaged in providing technical and vocational training to unskilled or semi-skilled labour for export of human resources; and
- (22) Donations to organizations involved with infrastructure of sports and provision of training at national level.

By the order of the President
Aminur Rahman
Additional Secretary (Ex-officio)

²A strip of sandy land rising out of the bed of a river or a sea above the water-level.

Annex-10: S.R.O. No. 229-Ain/Aykar/2011, dated 04.07.2011:



Government of the People's Republic of Bangladesh
Ministry of Finance
Internal Resources Division
(Income Tax)

Notification

Date: 20 Ashar 1418 Bengali Year/4 July 2011 A.D.

S.R.O. No. 229-Ain/Aykar/2011:- In exercise of the powers conferred by clause (b) of sub-section (4) of section 44 of the Income Tax Ordinance, 1984 (XXXVI of 1984) and in suppression of its Notification No. S.R.O. 270-Ain/Aykar/2010, dated 17 Ashar 1417 Bengali Year/1 July 2010 A.D., the Government, subject to the conditions stated in following Schedule-A, is pleased to provide income tax rebate at the rate of 10% of actual money or expenditure invested by a corporate entity in cases of fulfilling corporate social responsibilities mentioned in the following Schedule-B, namely:-

Schedule-A
(Conditions of Income Tax Rebate)

(1) This income tax rebate shall not be applicable in case of money spent in addition to such sum as is lower than 20% of company's total income or Taka 8 (eight) crore, whichever is lower.

(2) Those corporate entities will be willing or motivated to obtain tax rebate through social responsibility activities, such entities:

(a) shall have to pay regular salary and allowances to officers and employees worked and shall have arrangement of waste treatment plant in the factories operated by it, particularly in case of production of industrial products;

(b) shall pay income tax, value added tax (VAT) and customs duty and institutional loan regularly.

(c) can make donation or provide money within the scope of Corporate Social Responsibility (CSR) only to organizations approved by the Government; and

(d) shall comply with all the provisions existing in the Bangladesh Labour Act, 2006.

- (3) The money spent or expenditure incurred on fulfilling social responsibility by a corporate entity cannot be treated as allowable expenditures in Production Account, Trading Account or Profit & Loss Account.
- (4) Necessary evidences in relation to the fact that money claimed for fulfilling social responsibility has actually been spent are to be submitted to the concerned Deputy Commissioner of Taxes.
- (5) The CSR strategy adopted by a corporate entity shall have to be intimated to the National Board of Revenue and a certificate on income tax rebate in relation to that shall have to be obtained.

Schedule-B
(Areas of fulfilling Corporate Social Responsibilities)

- (1) Donations for redressing the hardships caused by natural calamities such as cyclone, earthquake, tidal wave and flood channeled through Government organizations;³
- (2) Donations to organizations engaged in establishment and management of old persons' homes;
- (3) Donations to organizations engaged in the welfare of mentally or physically handicapped;
- (4) Donations to educational institutions run for the purpose of education of rootless children;
- (5) Donations to organizations engaged in projects on accommodation for the slum-dwellers;
- (6) Donations to social organizations engaged in publicity of movements relating to women's rights and anti-dowry practices;
- (7) Donations to organizations engaged in feeding and clothing and sheltering and rehabilitation of orphan/rootless children;
- (8) Donations to organizations engaged in research on independence war, regaining and expansion of the consciousness of the independence war and the act of honourable living of the freedom fighters;
- (9) Donations to organizations engaged in healthsome sanitation in Chittagong Hill Tracts, char areas and areas surrounding breaking up of banks of river;
- (10) Grants to organizations engaged in treating cleft lips, cataract, cancer and leprosy;

³ Item (1) to Item (4) in 2010 are deleted in 2011, Item (5) to Item (16) in 2010 are re-numbered as Item (1) to Item (12) in 2011. Item (16) in 2010 is deleted.

- (11) Grants to organizations engaged in treating acid victims;
- (12) Donations to hospitals engaged in providing free medical treatment to poor patients and specialized for developing the quality of treatment, such as cancer, liver, kidney, thalassemia, eye and cardio;
- (13) Grants to Public Universities;⁴
- (14) Expenditure incurred through educational institutions recognized by Government for providing technical and vocational education for meritorious poor students;
- (15) Money invested in establishing lab for providing training on computer or information technology and in establishing infrastructure or in purchasing educational materials for implementing English education in public/private educational institutions (under Monthly Pay Order or MPO);
- (16) Donations to organizations engaged in providing technical and vocational training to unskilled or semi-skilled labour for export of human resources;
- (17) Donations to organizations involved with infrastructure of sports and provision of training at national level;
- (18) Donation to national level institution set up in memory of the liberation war;⁵
- (19) Donation to national level institution set up in memory of Father of the Nation; and
- (20) Donation to Prime Minister's Higher Education Fund.

By the order of the President
Aminur Rahman
Additional Secretary (Ex-officio)

⁴ Item (18) to Item (22) in 2010 are re-numbered as Item (13) to Item (17) in 2011.

⁵ Item (18) to Item (20) are newly inserted in 2011.

Annex-11: S.R.O. No. 223-Ain/Aykar/2012, dated 27.06.2012:



Government of the People's Republic of Bangladesh
Ministry of Finance
Internal Resources Division
(Income Tax)

Notification

Date: 13 Ashar 1419 Bengali Year/27 June 2012 A.D.

S.R.O. No. 223-Ain/Aykar/2012:- In exercise of the powers conferred by clause (b) of sub-section (4) of section 44 of the Income Tax Ordinance, 1984 (XXXVI of 1984), the Government is pleased to make the following amendment in Schedule-B of its Notification No. S.R.O. 229-Ain/Aykar/2011, dated 20 Ashar 1418 Bengali Year/4 July 2011 A.D., namely:-

- (a) The word "and" at the end of clause (19) shall be deleted; and
- (b) Clause (20) shall be deleted and following two new clauses (21) and (22) shall be inserted thereafter, namely: -

"(21) Donations made to non-profit voluntary social welfare organizations engaged for running rehabilitation center, creation of awareness and treatment of HIV, AIDS and Drug-addicted; and

(22) Donations made to non-profit voluntary social welfare organizations engaged for running rehabilitation center for recovered children/women of cross boarder trafficking."

By the order of the President
Syed Md. Aminul Karim
Additional Secretary (Ex-officio)

Annex-12: Sample Application to the NBR for Income Tax Rebate on CSR Expenditure

(Letterhead of the Corporate Entity)

Ref. No.

Date :

Chairman
The National Board of Revenue
Rajaswa Bhaban, Segun Bagicha, Dhaka-1000

Subject : Request to issue a Certificate on Income Tax Rebate in relation to CSR Expenditure.

Dear Sir,

Our company is a renowned private company committed to the society for the cause of the people of the country and the sustainability of the planet. We have focused CSR (Corporate Social Responsibility) programs along with budgeted resource allocation. Please find the copy of our company's approved CSR Strategy attached herewith. The annual budget on item-specific CSR program along with the organization(s) is also provided herewith.

I, therefore, request you to issue a Certificate on Income Tax Rebate in relation to our company's CSR Expenditure at your earliest convenience.

On behalf of the Company, I declare that the Company is fully compliant with all the conditions set forth in the relevant SRO on CSR expenditures for allowing income tax rebate.

Thanking you,

Sincerely yours,

Sd/-
(..... Name.....)
Managing Director

Annex-13 : Brief Description of the Company's Business and Due Diligence

(Name of the Corporate Entity)
Sample CSR Strategy

Brief Description of the Company's Business

History of the Company:

[Company Name] was incorporated on(date)..... as a private company limited by(shares/guarantee)..... and registered with the Registrar of Joint Stock Companies & Firms of Bangladesh under the Companies Act, 1994 in the sector in Bangladesh at(place)..... It has started its commercial operation on..... On, the company has been converted to Public Limited Company.

Vision (outlines what the organization wants to be):

.....

Mission (the fundamental purpose of an organization or what it does to achieve its vision):

.....

Core Values (beliefs that are shared among the stakeholders of the company):

.....

Nature of Business:

[Company Name] is involved in doing

Principal Products and Services:

Relative Contribution of Products Contributing more than 10% of the Total Revenue:

Associates, subsidiary/related holding Company and their core areas of business:

Distribution Channels:

Sources and Availability of Raw Materials and Principals Suppliers:

Sources of and requirement for Power, Gas and Water or any others utilities:

Principal customers of the Company's products/services:

Material patents, trademarks, license or royalty agreement:

Number of total employees:

Production Capacity and Current Utilization:

GENERAL INFORMATION ON CSR STRATEGY

1. [Company Name] has prepared this CSR (Corporate Social Responsibility) Strategy based on its Vision, Mission and Values. The Directors of the company, collectively and individually, have shown their commitment in translating the CSR strategy in action and have allocated necessary human and material resources towards the initiative.
2. A copy of this CSR Strategy may be obtained from the Head Office of [Company Name].

DECLARATION AND DUE DILIGENCE CERTIFICATION ON CSR STRATEGY

This CSR Strategy has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity and accuracy of the statements made, information given in the documents on CSR Strategy. We also declare that:

- the amount to be claimed as CSR expenditure is only for the specific social responsibility purposes formally approved the Board and those are not at all for any of the business operations;
- the company pays regular salary and allowances to officers and employees worked in the company;
- [applicable for manufacturing company] the company has arrangement of waste treatment plant in the factories operated by it, particularly in case of production of industrial products;
- the company is fully tax compliant and pays income tax, value added tax (VAT) and customs duty and institutional loan regularly;
- the company's never undertakes any CSR activities through an organizations which are not approved by the Government;
- the company complies with all the provisions existing in the Labour Act, 2006;
- the company does not treat any CSR expenditures as allowable deduction for computing the tax-base for income tax (total income);
- the company maintains all the documents of CSR expenditures properly and these are open for verification at the request of any legal authority.

The information provided in the CSR Strategy is, to the best of our knowledge, correct and fair and if there is any statement or information which may be misleading, the appropriate authority may take any civil, criminal or administrative action against any or all of us as it may deem fit.

Sd/-
(..... Name.....)
Chairman

Sd/-
(..... Name.....)
Managing Director

Sd/-
(..... Name.....)
Director

Sd/-
(..... Name.....)
Director

Sd/-
(..... Name.....)
Director

Bibliography

- Aras, G. and D. Crowther (eds.). 2009. *Global Perspectives on Corporate Governance and CSR*. Farnham, England: Gower Publishing Ltd.
- Banerjee, S. B. 2007. *Corporate Social Responsibility: The Good, the Bad and the Ugly*. Cheltenham, UK: Edward Elgar Publishing Ltd.
- Belal, A. R. 2008. *Corporate Social Responsibility Reporting In Developing Countries: The Case of Bangladesh*. Aldershot, Hampshire, England: Ashgate Publishing Ltd.
- Carroll, A.B. and A.K. Buchholtz. 2000. *Business and Society: Ethics and Stakeholder Management*, 4th ed. Cincinnati: Thomson Learning.
- Coombs, W. T. and S. J. Holladay. 2012. *Managing Corporate Social Responsibility: A Communication Approach*. West Sussex, UK: Wiley-Blackwell, a John Wiley & Sons, Ltd. Publication.
- Crowther, D. and N. Capaldi (eds.). 2008. *The Ashgate Research Companion to Corporate Social Responsibility*. Aldershot, Hampshire, England: Ashgate Publishing Ltd.
- European Commission. 2011. *A Renewed EU Strategy 2011-14 for Corporate Social Responsibility*. Brussels, Belgium, 25.10.2011. Available at http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm?doc_id=7010; accessed 20.01.2013.
- Habisch, A., J. Jonker, M. Wegner and R. Schimdpeter (eds.). 2005. *Corporate Social Responsibility Across Europe*. Berlin: Springer.
- Hawkins, D. E. 2006. *Corporate Social Responsibility: Balancing Tomorrow's Sustainability and Today's Profitability*. Basingstoke, Hampshire, UK: Palgrave Macmillan.
- Hennigfeld, J., M. Pohl and N. Tolhurst (eds.). 2006. *The ICCA Handbook on Corporate Social Responsibility*. Chichester, West Sussex, England: John Wiley & Sons Ltd. Institute for Corporate Culture Affairs (ICCA) has been founded in 2003 and based in Frankfurt am Main, Germany.
- Johnson, G., K. Scholes and R. Whittington. 2009. *Fundamentals of Strategy*. Harlow, Essex, England: Pearson Education Limited.

- Mallin, C. A. (ed.). 2009. *Corporate Social Responsibility: A Case Study Approach*. Cheltenham, UK: Edward Elgar Publishing Ltd.
- Norris, G. and J. Innes. 2005. *Corporate Social Responsibility: Case Studies for Management Accountants*. Oxford, UK: CIMA Publishing, an imprint of Elsevier.
- Robbins, S. P. and M. Coulter. 2012. *Management*. Upper Saddle River, New Jersey, USA: Prentice Hall; 11th ed.
- Schermerhorn, J. R., Jr. 2012. *Exploring Management*. Hoboken, New Jersey, USA: John Wiley & Sons, Inc., 3rd ed.
- Visser, W., D. Matten, M. Pohl, and N. Tolhurst. 2010. *The A-Z of Corporate Social Responsibility*. Chichester, West Sussex, England: John Wiley & Sons Ltd.
- Vogel, D. 2005. *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington, D.C.: Brookings Institution Press.

Management and Resources Development Initiative

8/19, Sir Syed Road (3rd Floor), Block-A, Mohammadpur
Dhaka-1207, Bangladesh

Phone : +880-2-9134717, +880-2-9137147

Fax : +880-2-9134717, +880-2-9137147 Ext-111

E-mail : info@mrdivd.org

Web : www.mrdibd.org