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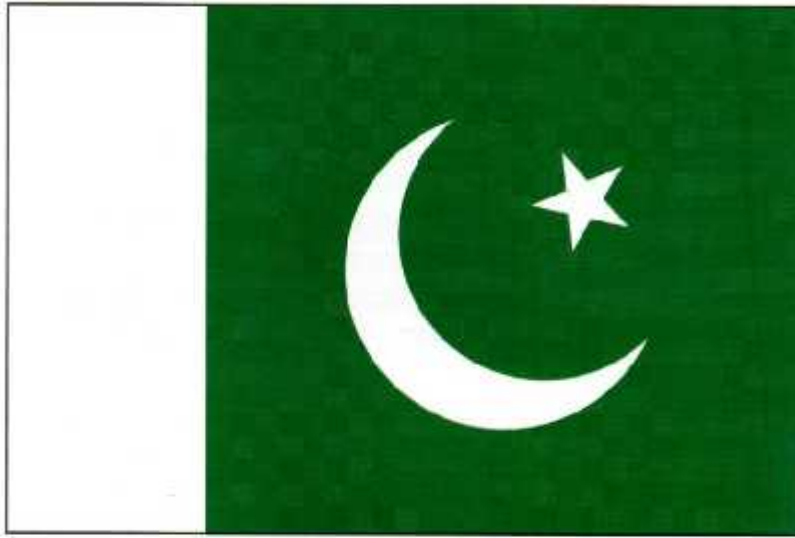
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CASE STUDIES FROM ASIAN NETWORKS OF BEST PRACTICING COMPANIES LIVING THE TEN PRINCIPLES OF UN GLOBAL COMPACT



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FFC's Community Empowerment Initiatives Towards Sustainability: A Case Study

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Abstract

The case compiles the CSR activities at Fauji Fertilizer Company Limited (FFC), a part of United Nations Global Compact (UNGC). It highlights CSR activities as followed in five groups and covers both macro level and micro level initiatives within the principles of the UNGC. At the macro level, the company is addressing stakeholders' concerns for underdevelopment in the country and sponsors community development projects in its operational areas. At the micro level, FFC is having interventions by spreading education, providing health care, protecting environment, alleviating poverty and responding to the challenges of disasters. The case is sponsored by the United Nations Global Compact Pakistan Local Network

Key Words: FFC, United Nations Global Compact, CSR, Social Development, Poverty Alleviation, Sustainability

Introduction

For Fauji Fertilizer Company Limited (FFC), corporate social responsibility is empowering people to achieve the goal of sustainable development. FFC's CSR activities started thirty years back by introducing Agri-Services for helping farmers for poverty alleviation and reaping best yields. FFC started diversified interventions in the later years in other social sectors for community development. After joining United Nations Global Compact (UNGC) local network in 2010, FFC planned to incorporate the concepts of UNGC's principles of sustainability in its interventions and desired to achieve synergy of CSR with the UNGC principles. In the last five years (2008-2012), FFC has spent Rs. 843.42 million on its CSR projects in five thematic areas ranging from capacity building for poverty alleviation to disaster management.

In the above backdrop, the CE&MD FFC and CSR's core team were exchanging views on future road map for its CSR program in an informal meeting. There was consensus on the satisfactory progress of the FFC's CSR program. However, the leadership of the company was interested in knowing the issues of program's institutionalization, impact assessment, and its future roadmap. In the light of this informal discussion, in a formal

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² The UN Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. Launched in 2000, the UN Global Compact is the largest corporate citizenship initiative in the world. More than 5,200 companies from 130 countries, as well as 700 Civil Society and International Labor Organizations, are engaged in the initiative and are working to promote responsible corporate citizenship. www.unglobalcompact.org

³ The core team of CSR is led by Lt Gen Naeem Khalid Lodhi (R), HI(M) who is also the Chief Executive & Managing Director of FFC. The members of the team include Mr Munir Malik - GM-MKT, Mr Shahid Hussain - CFO, Mr Tahir Javed - GGM-M & O, Brig Sher Shah (R) - Coy Secy, Brig Fiaz Ahmed Satti (R) - CCO and Brig ® Munawar Hayat Niazi who is also the Secretary of this committee and Senior Manager-CSR and Corporate Communications.

meeting, decisions are expected to come regarding a formula for financial allocations to the CSR program, setting program's direction and synergizing the activities with business objectives of FFC. Brig Fiaz Ahmed Satti (R), CCO and member of the CSR committee expressed hope that in the next scheduled meeting, the CSR program team would give a presentation on the CSR's progress and inform the committee about the answers to the questions raised in this meeting.

Ms. Maliha Malik, Deputy Manager CSR Program, made a comprehensive presentation on the program and presented it to the CSR members in the scheduled meeting which was presided by the CE & MD, FFC. A narrative of the presentation is given below heading wise.

Objectives of this case study is to inform the readers the developmental issues in Pakistan and emerging challenges of sustainability the CSR program of a large company. The case highlights the successes of FFC in terms of channelizing energy and resources at large scale for paying back to society and its struggle to achieve future direction for the CSR program.

The Company

FFC was established in 1978 with a vision of attaining self sufficiency for Pakistan in fertilizer sector, as 23% of Pakistan's economic growth (GDP) is derived from agriculture, and it employs 42% of Pakistan's labor force. It is pursuing its vision by playing leading role in industrial and agricultural advancement in Pakistan, by providing quality fertilizers and allied services to the customers and its shareholders, by elevating its image as a socially responsible and ethical company and a model of success.

FFC operates with the three fertilizer plants established in districts Ghotki and Rahim Yar Khan having a total production capacity of 2.048 million tones. FFC reaches out to its customers through a dedicated team spread across three national zones and 14 regional offices. It has state of the art IT facilities based on SAP for connecting systems and processes for optimized performance to achieve its strategic objectives. FFC produced 2.395 million tones of fertilizers in 2011, which is in excess of the total capacity of its plants as engineers of FFC overcame the bottlenecks by their innovative practices. For its high productivity and industrial performance FFC achieved appreciations and accolade for its business performances at the national level by receiving the 'top 25 companies' award in 2011. In the same year it was ranked 3rd among the business entities for its CSR programs in the country by the Pakistan Center of Philanthropy (PCP), Islamabad.

FFC has the honor of being one of the pioneers in initiating and implementing sustainable and responsible business practices in Pakistan. Being a fertilizer company, FFC strives to break new grounds by finding modern techniques through research in fertilizing the fields for optimum yields. FFC research works get places to both local and international agriculture/fertilizer sector publications.

FFC's Socially Responsible Initiatives

FFC, as a leading fertilizer industry, understands its obligation for the wellbeing of deprived communities and social development in the country. FFC is playing its part actively in community development by paying back to the society from where it derives its economic gains. At the macro level, the company is addressing stakeholders' concerns for underdevelopment in the country and sponsors community development projects in its operational areas. Primarily, it is empowering farmers and adopting the UNGC Principles in its technical and management operations. At the micro level, FFC is having interventions by spreading education, providing health care, protecting environment, alleviating poverty and responding to the challenges of disasters, primarily in the areas of its operations, which occurred in the country in 2010 and 2011.

Driving Force for CSR Program

The driving force behind the FFC's CSR program is the prevalent poverty and underdevelopment in the rural areas of Pakistan. In Pakistan, poverty has been higher in rural areas than the cities with varying rates. It rose sharply in the 1990s. In 1993/94 poverty rate was 27.4%, in 1996/97 it was 29.6% and in 1998/99 it rose to 35.2 % which confirmed the facts that the increasing trends of poverty continued during the whole decade of 1990s. In 1998, in terms of human development index (HDI), Pakistan ranked 135 out of 174 countries with life expectancy at birth 64.4, adult literacy rate 44 percent and 31 percent poor population were living on the very margins of life at less than \$1 per day. According to the UNDP, in 2009, 60.3% of Pakistan's population lived on under \$2 a day. UNDP report 2010 reveals that Pakistan's human development indicators fall significantly below those of countries with comparable levels of per-capita income. The UN's Human Development Report 2011, "Sustainability and Equity: A Better Future For All", ranked Pakistan at 145th among 187 nations as compared to 125 in 169 nations last year. Here wealth distribution is uneven; the 10% top strata of the society earns 27.6% and the bottom 10% population earns 4.1% of the national income.

Response to the Challenges

In response to the socio-economic challenges, FFC operates the following projects under its social responsibility initiatives:

- Capacity Building for Poverty Alleviation
- Health Care
- Environmental Protection
- Empowered Farmers
- Disaster Management

Capacity Building for Poverty Alleviation

For the capacity building of local community, FFC is providing training to the youths through its Technical Training Centers and Vocational Centers at its fertilizer plants in Ghotki and Rahim Yar Khan Districts. Under its Capacity Building for Poverty Alleviation program FFC is operating Sona Public School, Sona Computer Institute and 14 adopted schools of the district government at Ghotki and Rahim Yar Khan and providing 241 scholarships annually across Pakistan to the community's children, farmers and its employees. Example of Hafiz Najum ul Saaqib is one of the 241 scholarships beneficiary is worth mentioning here which is being given in below:

"FFC's Scholarship Program helped me in being capable"
Hafiz Najum ul Saqib

4. ADB (2002). Poverty in Pakistan Issues, Causes and Institutional Responses, July 2002, Islamabad, Pakistan.
5. UNDP (2000) Human Development Report, 2000. New York: Oxford University Press.
6. UNDP (2009) Human Development Report, 2009. New York: Oxford University Press.
7. UNDP (2010) Human Development Report, 2010. New York: Oxford University Press.
8. UNDP (2011) Human Development Report, 2011. New York: Oxford University Press.
9. nationsencyclopedia.com/economies/Asia-and-the-Pacific/Pakistan-POVERTY-AND-WEALTH.html (Retrieved August 25, 2012)

Hafiz Najam ul Saqib, aged 24 years, is a son of farmer belongs to a remote village Lathianwala of district Faisalabad. He is one of 220 FFC's educational scholarship beneficiaries. Najam ul Saqib's early schooling was with Govt. Boys Comprehensive higher Secondary School Lahore. His favorite subject was Mathematics and his hobbies include swimming and video games. He did his F.Sc with Pre-Engineering from Govt Islamia College Civil Lines Lahore with an aspirations of becoming mechanical Engineer. He was facing financial hardship in continuing his further studies. He heard about the scholarship of FFC for education through newspaper and applied personally. He found the selection criteria of FFC very good as it was hassle free and based on merit. By the help of FFC's scholarship, Najm ul Saqib graduated BS Computing with 3.017 CGPA and had distinction in his 7th semester with 3.67 GPA. He also took first position in All Pakistan Speed Programming Competition twice while doing his BS. According to him, "when there was despair and darkness for my further study after my F.Sc, FFC's financial assistance filled my heart with hope and happiness". He further adds "FFC has supported me a lot in my studies and now I am capable of continuing my studies at my own as I am employed at a prestigious institution in IT department". Najum ul Saqib and his parents are very thankful to FFC.

FFC's technical training institutes are imparting useful practical knowledge of basic technical trades. FFC has established its Technical Training Center (TTC) at plant site, Rahim Yar Khan. TTC programs involve courses for staff of FFC as well as for the matriculate students from adjoining areas. Courses offered by TTC are as under:

- Apprentice Engineers Training
- Staff Apprentice Training
- Skill Improvement Courses
- Professional Courses for Engineers
- Fertilizer Technology Courses
- Customized Training

The vocational training centers of FFC are also empowering womenfolk in special who are deprived of the basic living facilities in its plant areas. Courses covered under the vocational training programs are:

- Tailoring & Stitching
- Hand Embroidery
- Machine Embroidery
- Art Works
- Neck Designing
- Cooking
- Beautician
- Qurashia

Health Care

Under its health development program, FFC is running two hospitals with a capacity of 40 beds in Ghotki and Rahim Yar Khan Districts and approximately 24 medical camps at the remote areas of the districts. These hospitals are providing primary and secondary medical services to the community on subsidized rates with treatment to over 300 patients per day. Two reflections of patients satisfaction at SWH are illustrated:

"I got relief from pain": Imdad Ali Mahar

Imdad Ali Mahar, age 32 yrs reached Sona Welfare Hospital (SWH) with a penetrated wound at Right Upper Quadrant. On examination the wound was found 1.5 to 2 inches deep and almost 3 inches wide. According to

patient he had visited many doctors for this wound. He informed the doctors while examination at SWH that the wound frequently gets infected with severe pain. The patient was obese but he had no other complaints. His treatment started at the SWH in OPD on daily basis. Mr. Imdad co-operated and did what he was asked to do regarding his treatment. After two weeks treatment, his wound got healed completely. After some time he came to SWH regarding weight loss and also referred many patients to SWH because of the attention he got from doctors at SWH to his health issues. Imdad and his family is thankful to FFC's CSR initiatives. He was reported as saying that he had pain and got relief at SWH of FFC.

"SWH is a ray of hope for the treatment of my diabetes": Ammer Bux

Ameer Bux, age 45yrs carpenter by profession came to SWH with ulcerated wound on his left thumb. On lab investigations, his blood sugars were found raised and some readings on complete blood count were also above the acceptable levels. His treatment for diabetes and wound were started on daily OPD basis and he was called for regular visits for proper cleaning and dressing of the wound. Within the first week of treatment his blood sugars started showing within normal limits and in four weeks of continuous treatment, his wound healed completely. Now he is back to his work and he frequently visits for the treatment of his diabetes. Ameer Bux on his one of the recent visits to the SWH said "to me SWH is a hope for the treatment of my diabetes"

Environmental Protection

FFC, over the years, has been practicing security and precautionary measures to protect environment and lives of its staff. Following are the three main initiatives in this regard are being mentioned: Recycling, Green Planet, and Renewable Energy

Recycling

FFC is continuously introducing modern environmental friendly production methods in its operations. The bottom line for FFC operations remain its 3R approach that is 'reduce', 're-use' and 'recycle'. FFC has minimized water wastage by recycling of water. FFC has achieved the target of zero accident ratios during its operations at plant sites because of the regular technical training and safety sessions. In recognition for safety efforts, FFC has got awards for its compliance with international safety standards (ISS). Some of those are given below.

- Certification of Quality Management System [ISO-9001:2008]
- Occupational health & Safety Assessment Series [OHSAS-18001:2008]
- Environmental Management System [ISO-14001:2004]
- Compliance with National Environmental Quality Standards [NEQS]

Renewable Energy

In lieu of energy shortage, FFC has embarked on a renewable energy project to install a 50 MW Wind Energy Farm at Jhampir in Sindh province to provide cleaner energy. FFC has a plan to increase its output up to 150 MW. In addition, this initiative is also aimed to provide much needed relief to the ongoing energy crisis faced by Pakistan, as this will be a valuable indigenous addition to the power grid of the nation. It is also in line with the global vision of ecology friendly natural energy and FFC is spearheading this sector in Pakistan. The farm went operational on 24 Dec 2012.

Empowered Farmers for green planet

For increasing the yields and increased economic returns on farms' produce, FFC has been providing Agricultural Advisory Services to the farmers across the country since 1982. Till this date more than 1.6 million farmers have been benefitted by this service. Under this program, five Farm Advisory Centers, having a team of agricultural experts, are located in the five cities of Pakistan which are providing miscellaneous advisory services through

- * Training Programs for the farmers

- Crop Demonstrations
- Field Days
- Farmer Meetings
- Village Meetings
- Crop Seminars
- Farm Visits
- Group Discussions.

The advisory centers are equipped with sophisticated computerized Soil & Water testing laboratories and high-tech extension equipments. For reliable linkages and updated technical support to farmers, FFC publishes 'Zarai Report' a quarterly news letter in Urdu and Sindhi languages containing season specific information on crops, fruits, vegetables, improved agronomic practices and articles on agricultural issues. For working on these lines, FFC's technical team coordinates with government departments, so that more and more users can avail these services. Farmers from across Pakistan can avail these services as FFC offers e-service through its website and via email correspondence also. The FFC's field teams of agri-experts are solving the farmers' technical problems at their door steps. The following incident represents one of the initiatives of the field teams in Sargodha. I am thankful to FFC: Asif Khakwani

The case of Mr. Asif Khakwani is a glowing example of Agricultural Advisory Services provided by the FFC to farmers across Pakistan. Mr. Khakwani belongs to Sargodha district, which is rich in the plantation of oranges. Mr. Khakwani's orange orchard stretches over 250 acres in a nearby village. He has been farming on his ancestral land for the past 25 years. For the last few years, Mr Khakwani found himself in a tough competition with the competitors and retreating productivity from his orchard. Mr Khakwani reached out to the FFC regional office after getting into contact with the Agri-experts during their routine visit to the village of Mr. Khakwani. Mr. Khakwani discussed the issue of decreasing yields of his orange orchard with an agri-expert at the regional office. After two days, Mr Khakwani received a team of agriculture experts at his place. The team inspected his orchard in detail and witnessed the modus operandi employed by Mr Khakwani and his laborers for plantation. FFC experts collected samples of soil from various location of the orchard along with water samples of tube well and of the nearby stream.

On Mr. Khakwani's query for the charges of the team's visit, FFC team informed him that such services to farmers were part of FFC CSR program and this was free of charges. Mr Khakwani was highly impressed by the dedication of FFC experts to the well being and betterment of farmers. On the given date, FFC experts delivered the detail assessment report to Mr Khakwani with an insight into the deficiencies observed in the soil and water. For improvement in the yield, literature on the usage of fertilizer and necessary advices for the balanced use of Urea, DAP, SOP and on the sowing and watering of orchard in line with changing climate were given to Mr. Khakwani.. Mr Khakwani acted upon the advice received from FFC Agri-experts in the next season. New season was a better season for Mr Khakwani as there was improvement in the quality and quantity of the yield. During the sowing and harvesting period, FFC experts kept visiting Mr. Khakwani's orchard twice a week. This season, there was an increase in the yield by 55%. At the end of the crop season, Mr. Khakwani on a visit to the regional office stated that the massive increase in his yield and profitability was due to reduction in the use of fertilizer, pesticides and water as per the advice of Agri-experts of FFC. He further said "It was difficult to believe for me that such a specialized support to farmers is available in the country through a corporate organization; I am thankful to FFC". FFC has established its Research and Development section at FFC Head Office. Its aim is to enhance FFC's role in new and progressive research in the field of agriculture and play its part in the development and implementation of these activities.

Disaster Relief and Management

The devastating floods of 2010 all over Pakistan and specifically in Sindh and KPK, called for the need of disaster relief and rehabilitation. FFC came forward and contributed Rs 275 million including reconstruction of 3 flood affected villages (Chuttoo Chachar, Mohib Shah and Muaza Chachran). Under this relief program, total 207 houses are under construction while 57 finished houses have been handed over to the flood affectees.

FFC's Budgeted CSR Projects (2010-2013)

FFC allocated sizable share of its profit to CSR activities every year. In the last five years from 2008 to 2012 CSR budget allocation was Rs. 843.42 million (Annexure 1) In the fiscal year 2012/2013 financial allocation is of Rs.220 million while in 2011 this allocation was Rs 204 million. The projects continuing from 2010 and projects started in 2012/13 are given below with the estimated expenses geographical and heading wise.

Mirpurpur Mathelo Plant Site

- FFC-PRCS Reconstruction of 3 Flood Affected Villages (Rs 102 million)
- FFC-Pakistan Poverty Alleviation Fund School Improvement Program at 12 Adopted Schools (Rs 36 million, 3 Year Program)
- FFC Plant Site CSR Program (Rs 8.6 million)
- Alternate Energy Solution for FFC Sona Public School (Rs 2 million)
- Rehabilitation of Special Children School (Rs 1.411 million)
- FFC Scholarship to 5 students at Cadet College Ghotki (Rs 1 million)

Goth Machhi Plant Site

- Construction of Municipal Committee Girls High School-Sadiqabad(Rs5 million)
- Uplift & Up gradation of 4 Adopted Schools (Rs 2 million)

Community Uplift and Support Program at Jhampir (District Thatta)

- Water treatment plants for native community (4X)
- Rehabilitation of BHU Jhampir
- Rehabilitation of Primary School and Mosque
- Fresh water supply through hand pumps
- Construction of general medical ward in BHU

FFC Scholarship to 2 Students at LUMS

FFC CSR Sponsored Events and Seminars on Sustainable Business & UNGC Principles

Thematic Area	Interventions	Output	Outcome
I. Capacity Building for	a. Apprentice Engineers Training	Technical Training Centers Vocational centers in Ghotki	15000 professional trained

Networks, Awards and Recognition

FFC CSR is a proud Gold member of UN Global Compact Foundation and has been honored with Steering Committee Membership of UNGC Pakistan Local Network. FFC has also corporate membership of CSR Association of Pakistan and a corporate citizen membership of World Wildlife Fund. FFC's CSR program has been recognized by following prestigious awards in 2012.

- National Excellence Award 2011 by CSR Association of Pakistan
- CSR Business Excellence Award 2012 by National Forum for Environment and Health
- Annual Environmental Excellence Award 2012 by NFEH
- Best CSR Practice Award by UN Global Compact Pakistan Local Network

CSR Program and Its Outcome

Interventions and outcome of the FFC's CSR program are given in tabular form below in Table 1.

Poverty Alleviation	b. Staff Apprentice Training c. Skill Improvement Courses d. Professional Courses for Engineers Fertilizer e. Technology Courses f. Customized Training	and Rahim Yar Khan. Sona Public School, Sona Computer Institute Adoption of 14 schools of the district government in Ghotki and Rahim Yar Khan Scholarship programs for the farmers' and employees' children	till date 2 students are studying at LUMS for bachelor's degrees. Provided 220 scholarships for various level of education (Annexure 5)
2. Health Care	a. Hospitals b. Medical Camps	Two hospitals in two districts : Rahim Yar Khan and Ghotki 14 medical camps at the remote areas of the districts	0.1 million till date
3. Environmental Protection	a. Recycling b. Green Planet c. Renewable Energy	Certification of Quality Management System [ISO-9001:2008] Occupational health & Safety Assessment Series [OHSAS-18001:2008] Environmental Management System [ISO-14001:2004] Compliance with National Environmental Quality Standards [NEQS] Annual Environment Excellence Award 2011 by National Forum for Environment and Health	PKR 239 million in 2011 CSR Business Excellence Award 2012 by National Forum for Environment and Health Annual Environmental Excellence Award 2012 by NFEH
4. Empowered Farmers	a. Training Programs for the farmers b. Crop Demonstration c. Field Days d. Farmer Meetings e. Village Meetings f. Crop Seminars g. Farm Visits h. Group Discussions.	1.6 million farmers received agriculture advisory support in Sindh and Punjab. Farm Advisory Centers in 5 cities of Pakistan	Farmers are getting better yields by applying acquired farming knowledge and skills
5. Disaster Management	a. Reconstruction of flood affected villages	Reconstructed 3 flood affected villages	207 families have got homes and backed to the normal life

Table 1

Sources: Annual Report for the year 2011, Corporate Sustainability Report 2011 and FFC website <http://www.ffc.com.pk/>

Challenges Ahead

Presentation by the CSR Deputy Manager was appreciated by all the participants for giving a vivid picture of the ongoing FFC's CSR program to the committee. However, the CSR committee has some apprehensions regarding the future of the program. Lt Gen Naeem Khalid Lodhi (R) The CE & MD was of the view that the CSR is an important program of FFC which is being carried out here for the last 30 years and now it should grow and must have some indicators of sustainability of it by this time. Mr Shahid Hussain, CFO FFC in his remarks appreciated the presenters with an apprehension of not mentioning any basis of the funds allocation to the program. Mr Munir Malik General Manager Marketing could not see anything concrete in the presentation for his marketing campaign. Similarly, Brig Sher Shah (R), Company Secretary identified the need of bringing FFC's CSR program in line of the Corporate Law Authority's recently announced CSR regulations and Brig Fiaz Ahmed Satti (R), Chief Coordination Officer expressed his concern over the absence of the impact of the programs in the whole presentation, though mini case studies of the beneficiaries are there.

The Chief Executive in his concluding remarks appreciated the efforts of the CSR managing team for putting hard work in carrying such a quality program. He thanked the CSR committee for having deep interest in the improvement and for taking the program to the next phase. The CEO emphasized further the need of institutionalizing and setting program's direction to create stronger synergy with business objectives of FFC. However, Following points were noted down by the CSR Deputy Manager in the light of today's comments over the presentation to work on in future:

- Basis of the financial input
- Institutionalization of the program
- Measurement of impact
- Sustainability of the program

The outcomes of this high level meeting on the CSR progress at FFC are significant beyond any doubt. However, though this program is striving for bringing sustainable development to the community, FFC's CSR program has, somehow, not come to the trajectory of the sustainability. CSR team perhaps needs to identify the ways and means for incorporating the CSR planning into the strategic plan of the FFC. Besides, they may further find other ways to make the program self sustainable with a caring character for community.

Conclusion

FFC is facilitating community empowerment through education, health, environment protection and providing support to those affected by calamities for the last 30 years. In pursuit of international standards and recognition, FFC joined UNGC local network in 2010 and looking for sustainability in its interventions. On an average, FFC has been spending more than Rs. 160 million every year for the last five years.

Despite its achievements in its objectives of community development and changing people's life in its operational areas, FFC's CSR program needs to be taken in the institutional frame of the FFC. The comments passed and the questions raised by the CSR committee over the presentation on CSR indicate that now FFC and its CSR program are ready to be institutionalized and developed as self sustained program but 'how' needs to be answered by the CSR team at FFC.

Acknowledgement

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Annexure 1.

Budget allocations for the last five years

2012.....	Rs. 220.00 million
2011.....	204.00
2010.....	288.00
2009.....	95.53
2008.....	35.89
Total	Rs. 843.42 million

Author

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Living in Line with the UNGC Principles: A Hinopak way of Doing Business

By

Prof. Dr. Mustaghis-ur-Rahman

Sponsored by the Global Compact Pakistan Local Network

1. Introduction

As a researcher and a case writer, the author of this case has always been in search of unusual experiences, practices and gestures at the work place which may add new dimensions to the business studies. In this pursuit, the author was having an informal chat with Mr. Muhammad Akram the General Manager Human Resource (GM-HR) of Hinopak, Pakistan. The central point of discussion was the relationship of the company's Management with the CBA and particularly work environment at Hinopak. Passing through the peripheral part of discussion and reaching the core i.e Management-CBA relationship at Hinopak, the GM remarked that "we are fortunate as we have pleasant history of Management-CBA relationships here". He further added, "not only labor rights but also we take care of the human rights, transparency in businesses and strive for viable work environment at the company following the guideline of UNGC principles". The statement of the GM aroused interest of the author, as such institutions are rare in Pakistani industrial context. Hence the statement became the inspiration for going deep into the Hinopak's corporate work environment and corporate social responsibility (CSR) practices, and its impacts on the company's financial performance.

This case may be helpful in answering the questions, generally, raised as; "Can a business grow and flourish even by spending on CSR based on the UNGC principles in the developing countries, particularly in Pakistan?" or "Can a business afford to live in line of the UNGC principles?"

2. The Company

Hino Motors Japan and Toyota Tsusho Corporation in collaboration with Al-Futtaim Group of UAE and PACO formed Hinopak Motors Limited in 1986. In 1998, Hino Motors Ltd., and Toyota Tsusho Corporation obtained majority shareholding in the company after disinvestments by the two founding sponsors. Hinopak Motors Limited assembles, manufactures and markets world renowned Hino diesel trucks and buses in Pakistan. The company has a mission to provide its customer with safe, economical, comfortable and environment friendly means of transportation through commercial vehicles. The company is holding continuously top position in the Pakistani market for medium and heavy-duty vehicles for 17 years and is known for quality excellence. Backed by Hino's expertise, Hinopak has achieved standard of quality that rivals the best in the region. Hinopak's product range has been designed and built in Hino's traditions of automotive excellence to be the leader in its category with over 60,000 vehicles on the roads of Pakistan. The main emphasis of Hinopak is to passengers' safety and comfort in its all products. Hinopak is the trusted market leader with over 65% market share in the Pakistani truck and bus industry and it is a vital contributor in saving of foreign exchange for the country. It is also providing jobs to the people from all over Pakistan. Hinopak plays a pivotal role for the development of the local auto

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industry through its progressive manufacturing and management culture.

Hinopak is committed to its well specified stakeholders: customers, employees, shareholders and community at large. To customer, they are delivering safe, economical, comfortable and environment friendly vehicles for transportation. Here, employees have corporate work environment with mutual trust; respect for fundamental human rights and opportunities for their professional development. They are proud of being a member of the "Hinopak Family" as commented by Mr. Siddique Baloch, President of Hinopak employees union "We feel Hinopak is our second home and we work in a family setting". Shareholders are getting a meaningful financial return and the community at large is benefitting from the economic and social development by the modest means of transportation in terms of employment and social investments. Further Hinopak has a vision of continuing to move forward and staying alert to the ever-changing market and social needs.

2.1. Support, Network and Excellence

Hinopak has wide support network, ranging from leading brands in the automobile industry to the community affiliations in Pakistan. The two world renowned auto companies; Toyota Tsusho Corporation and Hino Japan provide valuable impetus to its marketing. Hinopak reaches its customers with 31 registered Hino dealers all over the country. Hinopak is the first in commercial vehicles sector to start the establishment of 3S dealership network, which offers Sales, Services and Spare parts facilities under one roof. This comprehensive network of offices, 3S services' dealers and spare parts dealers are strategically located throughout the country. Hinopak maintains a fleet of mobile workshops, which provide prompt and efficient back-up services to Hino consumers even at remote locations. It maintains an inventory at its own warehouses to ensure that genuine spare parts are readily available throughout the country. Hinopak has established a state-of-the-art product support center which is largest of its kind in the country. This is equipped with all relevant training aids to conduct a wide range of highly professional training courses for mechanics, drivers and technical personnel, such as foremen, workshop supervisors and managers engaged with customers and fleet operators.

Hinopak has a strong community support because of its interventions in the meaningful community development projects ranging from vocational trainings to the youth of the disadvantaged communities to provide free school education to the children of neighboring population. In 2010, the company adopted a government school with a financial contribution of Rs. 18 million as the school was not properly functioning. There were more teachers in comparison to the students enrolled in the school. However, after taking over the school by Hinopak, the number of students is increasing and recently it has reached up to 800 students. By this time, the school is fully functional and operating with its full strength.

Building on 22 years of success, Hinopak continues to play a leading role in manufacturing and selling commercial vehicles with superior technology. Hinopak is the first Pakistani automobile company which:

- " received ISO-9001 and ISO-14000 certificates;
- " exports buses to Asian and African countries;
- " is recipient of "Quality Excellence Awards";
- " introduced "3S" concept in heavy-duty commercial vehicles market;
- " is recipient of Employers' Federation of Pakistan's "Golden Jubilee" award" for human resource and industrial relations, and "Excellence in Productivity" award;
- " is recipient of "Corporate Excellence Award" from Management Association of Pakistan.

³ Siddique Baloch, President of Hinopak Employees Union, interviewed by the author on August 01, 2012

⁴ Hinopak, Annual Report 2011

3. Living in Line with the UNGC Principles

Hinopak's corporate philosophy is to develop prosperous society around its sets of values which has been articulated as "contribution to the development of a more prosperous and comfortable society by providing the world with a new set of values". The company has been translating its corporate philosophy into reality by undertaking socially responsible business practices. Hinopak actively promotes the dignity of human being, labors wellbeing, environment protection and curbs corruption in its operations and management - the four areas of CSR, which are at the core of the UNGC principles (Annexure I).

3.1. Principles in Practice

For promoting human rights, Hinopak is committed to respect and to protect the dignity of people in its areas of operations. Communication on Progress (COP) 2011 report, sent to the UNGC by Hinopak, assures its stakeholders of sincere efforts to further improve the health and safety for the people who work at the company, sound labor-management relations and its contribution to human resource/community development. It mentions, "Hinopak is committed to avoiding complicity of human rights abuses in all its areas of operations". It further maintains that the company upholds freedom of association and the right of workers to collective bargaining. Hinopak is committed to the elimination of all forms of forced or compulsory labor in all areas of its own operations or at the end of business partners' operations. The children's engagement in all areas of Hinopak and partners' business operations is prohibited as per the report. The report further claims that at Hinopak, there are equal employment opportunities, diversity and inclusive approach in employment and occupation. It prohibits any form of discrimination in employment terms and conditions. Guided by Hinopak's mission and social responsibility principles, the company is promoting environmentally responsible thinking marked by sincere demonstration of better environment and friendly practices. The Managing Director of the company endorses the Hinopak Management's commitment to the UNGC 10 principles by saying "It strives to increase our sphere of influence beyond the company by including all other stakeholders and ensure greater positive impact". For this purpose, the company uses environment friendly technologies that reduce negative impacts on the environment from its operations and products. Hence, company ensures effective environment risk management and compliance across all over business activities, from product design/development to product sale. Hinopak is committed to continue with 'no-tolerance' policy to any corrupt practices at the company and at the end of its partners and vendors. In the proceeding paragraphs, the major principles are being examined with the actions taken at Hinopak below.

3.2. Human Rights Protection

As mentioned above, UNGC classifies Human Rights Protection under three broad areas:

- a. Protection of Internationally Proclaimed Human Rights
- b. Protection from Human Rights Abuse

⁵ Hinopak Annual Report, 2011

⁶ HINOPAK has outlined its values by identifying company's name in acronym by using alphabets symbolic of different aspects of values as H; Honesty at all cost and in all spheres of business, I; Integrity - We do what we say at personal & corporate levels, N; Non-bureaucratic - pragmatic in systems & processes, O; Openness to customers, markets & criticism, P; Purpose oriented always keeping the end in mind, A; Altruism - fostering healthy relationship with society & environment and K; Kaizen - continuous improvement.

⁷ Annual Report, 2011, p6

⁸ Communication On Progress Report generally written as COP Report is a requirement for all the signatory to send annually the progress report to the UNGC Head Office on the UNGC principles' applications in the organization

⁹ Hinopak, 2011, COP Report for 2010/11 sent to the UNGC

c. Freedom of Association and Collective Bargaining.

a. **Protection of Internationally Proclaimed Human Rights**

Internationally proclaimed human rights include, safety & security, health & fitness, as well as education & development.

" **Safety and Security**

Hinopak ensures safety and security of staff integrated with HSE (Health, Safety and Environment) concept. HSE department is regularly visited by the HSE Committee led by the GMs. The Director Production conducts periodic HSE meetings to reinforce safe practices at the work place. The committee also ensures that there must be Personal Protective Equipment (PPE) available for all persons entering the plants. To promote the safe practices, training and counseling sessions are conducted with the employees, and if needed, warnings given for noncompliance. Further to ensure "Zero Accident" policy, internal and external safety audits are conducted regularly. On the recommendations of the internal/external audit, corrective measures are taken quickly. Routine checks of fire/safety exits are done to ensure safe exits/evacuation by at the time of emergency. Besides the above workplace safety measures, a Security and Communication Team, and Systems are in place to handle emergency situations.

The result of the "Zero Accident" policy is bearing fruits and has brought down the company's PPE noncompliance to negligible at both the plants. Effective Safety programs/initiatives have brought down the rate for major and minor accidents. As compared to 2009's major (7) and minor (1) accidents, the company recorded no major and (1) minor accident since June 2010 till this date.

" **Health and Fitness**

Health and Fitness program includes games, tournaments and other recreational activities which are the regular activities at Hinopak. Cricket, arm wrestling, tug of war, badminton, volleyball etc., for men, and for women staffs, miscellaneous sports and recreational activities like cooking competition, badminton, racing, tug of war etc., are being organized for the last five years. A good number of staff participates in these sports from the cross-functional areas. Besides, daily morning exercise is participated in not just by employees but transient stakeholders/visitors also join Hinopak staffs in the morning exercise. To discourage smoking, most of the Hinopak factory areas have been declared non-smoking zone. However, limited areas on each plant have been designated for the smokers. The popularity of Hinopak's health and fitness program can be gauged by the fact that health awareness activities are being attended by estimated 1,300 people (including employees and contractors' staff) from June 2010 to-date.

" **Education and Development**

Hinopak proactively pursues the Education and Developmental goals set at the national and international levels. As discussed above, the company has adopted a public school in August 2008 and named it SITE Model School in SITE area; near its plant in Karachi, where underprivileged community's 846 children are getting primary and secondary education. Hinopak added a registered technical wing to SITE Model School in August 2009 just after a year of taking it over. First batch of Technical School Certificate - Part II (TSC-Part II) students will complete their certificates soon. Presently, students enrolled in the TSC program are 50. New in-take for the three-year

¹⁰ Hinopak Annual Report, 2011

¹¹ Hinopak Annual Report, 2011

¹² Communication On Progress Report 2011

¹³ A newly created department for health and safety at Hinopak.

¹⁴ As an outcome of this policy no accident will occur during the working hours at the company

apprenticeship program saw induction of 34 apprentices in April 2011. Besides the new induction, 17 apprentices of the graduating batch were absorbed in the company's workforce. Besides, for further support to the workers' children scholarship and books are provided. Management's children are encouraged for education by awarding them "Academic Achievement Award". Hinopak is continuously giving Hinopak Skill Promotion Scholarship to 10 students of Pakistan's renowned engineering school with a purpose to develop quality human resource in the field of auto industry. The same objective is also achieved by providing internship opportunities to 100 students every year in June (summer) and December (winter) seasons.

b. Protection from Human Rights Abuse

Hinopak strictly follows the Standing Orders (Ordinance) 1968 of Pakistan and the Japanese Sarbanes-Oxley Act 2002 (J-SOX) to protect labor's rights and to prevent their abuses. For the second consecutive year running, the J-SOX audit was conducted to check strict adherence to the code of conduct. Besides, Hinopak's codes of conducts to prevent labor's abuses are updated to make the codes simpler for employee's clarity.

Hinopak is an equal opportunity provider to all in all aspects of employment including training, promotion, and other benefits. Female engineers can be found at our plant, which is a rare phenomenon in Pakistani culture. Female interns are also placed on shop floor in both the plants. For the gender equality and to prevent the sexual harassment, the company is seriously considering to implement the policy 'Protection Against Harassment of Women at Workplace Act 2010' which has already been developed by the Employers Federation of Pakistan in collaboration with the ILO. Besides, Hinopak provides equitable career paths and growth opportunities for female employees. Female employees are also provided company conveyance facility to facilitate/encourage them to work without any major hindrances.

c. Freedom of Association and Collective Bargaining.

Hinopak is very much in compliance with the Industrial Relations Act 2010 (IRA 2010) and has allowed employees to join any trade union of their choice. Here the workers are represented by a registered Labor Union. Hinopak Motors Employees Union is existing since the company's pre-Japanese ownership from 1969. Current membership to-date is 147, representing as collective bargaining agent (CBA). Union members elect their officers/executive body every two years; officers are given leave for participations in union activities, trainings or workshops. The last election of the union was held on 31st May 2010, with the required support of management. As required by the IRA 2010, five Worker-Management Participation Committees, which include the CBA to address the issues pertinent to workers' terms of employment, working conditions, etc.

12th collective bargaining agreement was successfully signed in February 2010, enhancing workers' benefits and promising cooperation from them in terms of productivity, quality, housekeeping, etc. The same is continued till this date.

Industrial Relations are periodically monitored through the 'Industrial Relations Committee' which is chaired by General Manager HR, Admin, & HSE and participated by CBA's General Secretary and President, and the HR & ER Managers.

Hinopak ensures the implementation of the labor laws relating to workers - IRA 2010 and Standing Ordinance 1968, such as freedom of association, including issues but not limited to disciplinary action and termination. Workers' and Union activities likewise reflect labor laws requirements; mutual understanding and compliance resulting to a harmonious labor-management relationship.

Labor-management relations at Hinopak are exemplary - this harmonious relationship is based on mutual trust, respect and transparency. No strike, cessation in work or loss of work hours due to strike or lockout in Hinopak's history have been recorded. Workers' active engagement in company affairs/operations has resulted in increased productivity and raised morale. Major thrusts of union participation include meeting production targets, productivity improvement, skill development, wastage control, education of workers, Kaizen, 5-S, health and safety. Workers/CBA officers were sent to attend trainings both locally and internationally either through the company or through the Trade Union Federation.

3.3. Labors' Rights

Labor rights protection at Hinopak can be seen in two contexts; a) in the context of industrial relations and b) staffs capacity building which is also human resource development for the company. The two are being discussed under separate headings below.

a) Industrial Relations

Though the concern for labor rights at Hinopak has been already covered under the heading "Freedom of association and collective bargaining", in the proceeding paragraphs, some concrete steps taken by the management to protect labor rights are worth mentioning here. As mentioned above, the majority shareholding in the company Al- Futtaim of Dubai, Hino Motors Limited and Toyota Tsusho Corporation of Japan formed Hinopak Motors Ltd in 1986. Before taking over by the three companies as a joint venture with the Government of Pakistan, Hinopak, which was previously known as Republic Motors, was controlled by the PACO - a government body. As a result, there was a culture of public sector where union was very strong and the laborers had inflexible attitude and any new investor was scared of the prevailing discouraging environment within a public sector company.

Government of Pakistan while privatizing the company put binding upon the new management that no employee will be fired from the organization on taking over of its control by the new management. At this point of time, the new management faced a dilemma whether or not to go ahead with this new venture. After deliberations among themselves, however the new management decided to go ahead with the project conceding the government's requirement of not firing the existing employees and to take up the challenge of transforming the internal work culture of the organization with a strategic thrust to develop its human resource. For the first time, therefore, it happened in the corporate history of Pakistan that all the employees of the public sector company resigned from company's employment on one day and their dues were settled, and the other day, all of them were taken in employment by the new company taking over the control under new terms and conditions while retaining the same wage level.

As soon as the new company commenced its business on February 1, 1986, it interacted with the trade union of the workers and mutually agreed to base their industrial relations foundation on the following four principles:

1. No interference in each other areas of work
2. Respect for each other
3. Transparency in the business
4. Resolution of issues through dialogue

As one of the first measures in order to improve the efficiency of the company, 70 supervisors who were previously members of the union were promoted to the officers' level. To offset the unions apprehensions that these supervisors after being promoted will be fired, the management as a confidence building measure announced that none of the promoted supervisors will be fired and an intensive training programme will be launched to improve their supervisory and managerial capacity so that their performance can be improved and utilized more effectively in managing the shop floor. 70 newly promoted officers were accommodated in various departments

and they were counseled for their improved performance. As an encouraging result within 18 months, around 50 of these officers settled down with an acceptable level of their performance. Though the rest 20 officers took longer time to settle down, no one was asked to leave the company as per promise of new management. Finally all the promoted officers showed excellent improvement in their performance except a few who did not improve despite of management and union efforts and finally choose to resign from employment.

In 1987-1988, the union raised its first Charter of Demand and contrary to the old practice of prolong & procrastinated negotiations over the unions' charter of demand, the new management set a new example of negotiating technique and the first union agreement was signed between the management and union in only 1 ½ days of negotiations which was unprecedented in the history of Industrial Relations (IR) in Pakistan. The special features of this agreement were:

1. Positive initiatives will be appreciated by both the parties
2. Wage will be linked with productivity and performance of employees

Accordingly, CBA's demand for increase in salary was accepted by the Management and due to this policy, labor's productivity increased and Hinopak performed better than the previous years. (Financial Statement, Annexure II).

Ever since, then, Hinopak management and union have so far signed a dozen union agreements and every time, the time taken in reaching an agreement did not exceed a period ranging from a few days or a few meetings within the span of a month.

It is also an unmatched record that these union agreements were the first in the country which provided for wage linkages with productivity and performance and wage increase were given after the productivity targets had been achieved. No wonder therefore that because of its best industrial relations practices, Hinopak has been known for its model industrial relation leadership at the national level and has been so acknowledged even by the National Federations of the Trade Unions.

b. Human Resource Development (HRD)

Though Human Resource Development has always been a priority for Hinopak even before the privatization of the company, the HRD really started in 1998 when Management decided to explore opportunities for training and development of the employees. The HR department focused on the following areas of HR:

- i. On-Job-Training in Japan
- ii. Succession Planning
- iii. Education and Training
- iv. Improving the Work Condition

The above activities are being discussed separately under the proceeding paragraphs.

i. On-Job-Training in Japan

In the late 1980s, Japanese auto companies were looking for the skilled and unskilled workers due to the expansion in these industries. The Management of Hinopak found this as an opportunity for the human resource development of the company. Hence, Mr. Fasih-ul Karim Siddique, the then General Manager HR initiated a note to the then Managing Director for sending 20 batches of 20 workers each to Japan over the period of four years on-job-training at Hino Motors Japan and Toyota Tsusho Corporation. The proposal was approved and over the period of four years from 1988 to 1992 about 400 Hinopak workers (75% of the total work-force of Hinopak) got the opportunity to work and learn on payment of moderate stipend by the sponsoring companies and on paid official

leave by Hinopak. This new concept of on-job-training was an enriching experience for the workers and a productive human resource development program for the company. The workers were exposed to the Japanese work culture where the 5S and Kaizan philosophies were in practice for the effective work place organization and continuous improvement in the performance benchmarks respectively. As an outcome the majority of the workers of Hinopak became disciplined, motivated towards their duties and hardworking, and they set examples for the existing employees and new comers to Hinopak.

ii. Succession Planning

In order to find the hidden talent within the organization and to prepare future leadership, Hinopak started 'Executive Development Program'. Under this program, in the month of Ramadan in 2002 all the executives were encouraged to give presentation on their own functional areas for improvement which ultimately have positive effect on Hinopak's growth and development. This program turned out to be very successful which provided leadership to the company at all levels and upward movement of the existing employees became easy. As a result, out of 14 DGMs 12 were promoted at this level from the ranks and only two were hired from outside the company till 30th June 2012. Present situation is that most of the DGMs at Hinopak have grown from the Trainee Engineers.

iii. Education and Training

When Hinopak chalked out a plan for educating and training their employees, the continuing education program was started by the company. Engineers were encouraged to enhance their professional portfolios by acquiring business management degrees. Under this program, 26 Hinopak engineers were granted paid leave and educational expenses by the company. However, there was a fear that the engineers, who will get higher qualification or other professional degrees, might not come back and leave the company as they would get better opportunities somewhere else. The Management debated these higher education facilities for the young engineers. There was one opinion that it would be a loss of the company as more educated engineers will not come back and the amount spent on them for their education would go waste. While the other opinion was that first of all the majority of the better qualified officers would come back, even they don't the better qualified human resource would remain part of the auto industry. Even in this case, Hinopak will be the indirect beneficiary as the auto industry needs more trained human resource. The result of this program does not show high turnover, though some of them left the company. But their leaving cannot be attributed to the continuing education policy of the company. In any case, people switch over from one company to another for various reasons.

iv. Improving the work condition

To further improve the physical environment of the company, the CBA office bearers were involved in housekeeping. The CBA office bearers, most of the time, used to complain about the physical setting of the work, when got the responsibilities of keeping things in order, they took keen interest and improved the working conditions in real sense. The responsibilities assigned to the CBA further strengthened the CBA-Management relationship and enhanced the ownership of the organization to the workers.

3.4. Environment Protection

At Hinopak, environmental concerns are addressed under the five sub-headings which are as follows:

a. Environmental Management System (EMS)

As a responsible corporate company, Hinopak has adopted ISO 14001 standard to ensure effective environmental risk management and compliance across all its business activities ranging from designing to product sale. Specific EMS requirements for each of the various business activities are set for effective and efficient performance. These requirements include adoption of Hino Japan Environmental Charter, implementing SMART objectives,

¹⁶ Interviewed Mr. Muhammad Akram, General Manager-HR, Hinopak by the author on July 14, 2012.

promotion of environmental action plans and commitment to facing environmental challenges resulting from changing business activities.

b. Environmental Education

Hinopak ensures that the personnel's work has the significant positive environmental impacts. For the purpose, appropriate education and training are given to them. This includes also those personnel working as suppliers and contractors to Hinopak. Approximately 80 new employees including workers were given orientation on Environment Management Systems (EMS). This year, orientation was also organized for incoming senior management employees.

c. Promoting Environmental Audit

Environmental audits are conducted at Hinopak on biannual basis to ensure that HPML Environmental Management System confirm to the requirements of ISO 14001 standard and improvements have been made to this system where necessary. Through these audits, Hinopak identify the areas where there is room for improvements and take corrective action accordingly. Qualified Lead Auditors and 7 Internal Auditors who, apart from their regular job, participate in audit execution as and when required. In 2008, two internal audits were conducted, in which altogether 21 minor NCRs and observations were highlighted. No major NCR was raised.

d. Reducing Environmental Risks

We have a well-defined emergency, preparedness and response management system to identify and reduce risks associated with emergency situations. The main scope of the plan is to minimize injuries to personnel, protect the environment and prevent damage to company assets. Emergency Response Plan (ERP) has been developed to respond to emergencies like Fires, Smoke, Explosions, Spills (raw materials and products) and medical emergencies. Different teams are also formulated like Fire-Fighting Team, Spill Control Team, Medical Team and Security and Communication Team. ERP trainings are organized for all employees and for the contractors working in HPML premises. Surveys are also conducted to identify unsafe practices; similarly effectiveness is checked via evacuation drills. State of the art equipments are installed companywide to ensure proper handling of emergency situations.

e. Environmental Initiatives in 2010-2011

World Environment day was celebrated at Hinopak with great zeal and enthusiasm on June 05, 2011 in collaboration with Total Atlas Lubricants Pakistan Pvt. Ltd., This day is being celebrated by Hinopak for the past several years nationwide by holding Free Tune up Camps, Tree plantation and School's Children projects exhibition on various environmental aspects. This year three schools participated with a total of 200 students and teachers in Hinopak's tree plantation campaign. The continuous efforts to increase the numbers of trees in the city show Hinopak's commitment to involve the local community in protecting the environment. Particularly, Hinopak undertook the following environmental protection activities:

- Tree Plantation Activity
- Awareness Program on Marine Environment for the Students of SITE Model School
- Installation of Garbage Disposal Drums at Green Turtle Breeding areas at Karachi beach
- Beach Cleaning Activity of the company's employees (phase I)
- Activity at Sands Bit Beach (phase II)

3.7. Anti Corruption

Hinopak strongly believes in transparency in all its conducts. For the purpose, it incorporates the concepts of ethical practices and anti corruption policies in the training and in its orientation programs for the employees. Hinopak has constituted various committees to propagate and oversee the functions with reference to the fair

and transparency in its operations. One such committee is WBC (The Whistle Blowing Committee). The WBC meets quarterly as minimum requirement and monthly as desirable. 'Trust' invoked twice in the Hino Credo containing overall company mission, core principles and CSR Charter, where complying with laws and regulations and maintaining high ethical standards were a major focus. Hino Spirit Principles on "Sincerity, the Value of Integrity" contains guidelines that employees follow in respect of anti corruption.

a. Internal and External Control

Internal Control Framework guides Hinopak in following the J-SOX (Japan's version of Sarbanes-Oxley Act). Five internal audits were conducted within the period from June 2010 to May 2011 and two external audits were conducted in October 2010 and March 2011. Internal controls/value additions were provided in the following areas: rules for dealer incentive calculation, rules for advertising and sales promo activities, online stationery issuance processing and financial reporting.

An independent Audit Committee ensures monitoring of compliance activities. All three members of the committee are non-executive directors. At the same time, external auditors publicly attest Hinopak's financial reporting integrity as contained in the Annual Reports:

- Corporate governance complaints
- Companies Ordinance 1984 and other taxation laws
- Stock Exchange regulations

b. International Standards

- J-SOX complaints
- International Accounting Standards
- International Financial Reporting Standards

c. HR & Other Processes Improvement

- HR processes such as payroll, leave application, attendance management were automated to ensure data integrity and avoid manual errors/tampering.
- Recruitment and hiring policy is very vocal on transparency and merit; multiple assessments ensured all hiring were done objectively.
- Proposals/quotations from multiple vendors/suppliers sought, reviewed and seen by multiple Hinopak personnel before approval.

3.7.1. Awards and Recognition

Hinopak's efforts in exercising internal and external control have been appreciated by the national and international bodies. 'SAFA Best Presented Accounts Award' for the company's exemplary practices and 'Best Corporate Report Award 2009' for corporate reporting given by the Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan respectively are some of the examples.

¹² South Asian Federation of Accountants (SAFA) presents awards to the companies which manages its financial accounts in transparent and well organized forms. This award was conferred on Hinopak in November 2009 in Dhaka, Bangladesh for transparent reporting and adequate disclosures in financial statement.

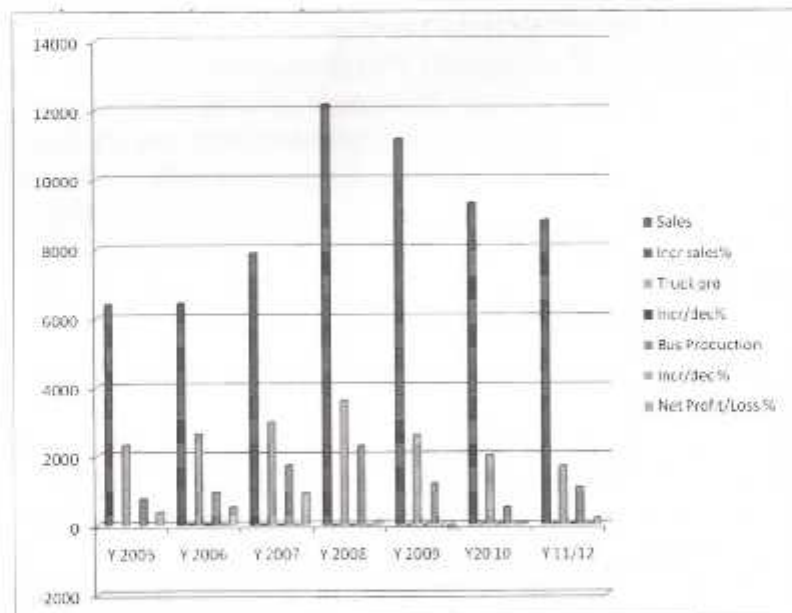
4. Financial Performance of Hinopak

Hinopak moved forward integrating the UNGC principles in its corporate culture and among its other CSR & UNGC initiatives; its overall performance has improved. In this context, an analysis of company's six years' financial results after it embraced the UNGC Principles in the year 2005 presents a revealing picture in table 1 and subsequent graphs.

Table-1
Hinopak's Six Years' Performance

Description	Y 2005*	Y 2006	Y 2007	Y 2008	Y 2009	Y20 10	Y 11/12
Sales(Rs in million)	6367*	6392	7826	12,151	11,127	9281	8767
Increase in sales		4%	22%	90%	74%	45%	38%
Truck Production in units	2286*	2614	2953	3571	2577	1981	1693
Increase/decrease %		14	30	56	13	(13)	(26)
Bus Production in units	739*	938	1717	2258	1173	499	1067
Increase/decrease %		26	136	205	59	(32)	44
Net Profit/Loss (Rs in million)	381*	511	904	115	(130)	40	173

* Base year. Source: Hinopak's Annual Reports for the Years 2010, 2011 & 2012



The last six years' sales figure of the company shows a consistent growth with a moderate start of 4% in 2006 and substantial increase by 20%, 90%, 74%, 45% & 38% in the years 2007, 2008, 2009, 2010, 2011/2012 respectively in comparison to the year 2005 as a base year.

The trend in production of trucks (in units) as compared with the year 2005 shows a growth of 14%, 30%, 50%, and 13% in the years 2006, 2007, 2008, 2009 respectively with a decline of 13% in 2010 and 48% in 2011/2012 respectively.

Similarly, the trend in production of buses (in units) compared with the year 2005 shows a growth of 26%, 136%, 205% and 59% in the years 2006, 2007, 2008, 2009, and 2010 with a decline of 32% in 2010 and

again an increase of 44% in the year 2011/2012.

With an increase in sales and production, the company witnessed an increase in profits as compared to the year 2005 by 34% and 137% in the years 2006 and 2007. Interestingly, while the company's sales in the years 2008-2009 & 2009-2010 went up by 90% and 74%, truck production went up by 56% and 13%, and bus production went up by 205% & 59% as compared to the corresponding figures of the year 2005. The Company after increase of 34% and 137% in profit in 2006 & 2007 as compared to 2005 made 70% less profit in 2008-2009 and registered a loss of 113% in 2009-2010, and again 89% & 55% less profit respectively in 2010-2011 and 2011-2012 respectively.

In financial terms, however, the company continued to make net profit after tax in successive years of 2005, 2006, 2007, 2008 whereas the company incurred a net loss of Rs 130 million in the year 2009 and thereafter earned a modest profit of Rs 40 million and Rs 173 million in the years 2010-2011 and 2011-2012 respectively.

5. Conclusion

Hinopak is committed to the CSR practices since its inception in 1988. It has been translating its corporate philosophy of a more prosperous and comfortable society into reality by undertaking the socially responsible business practices. The company voluntarily embraced the UNGC principles in 2005. Since then, it is actively promoting the human rights, labor rights, environment protection and curbing corruption in its operations and management - the four core areas of the UNGC principles. Despite, the company has been passing through ups and downs in terms of revenues and profit in the last six years, it has consistently increased employee productivity and improved performance in product quality and company image. The financial loss mentioned in the year 2009 is mainly due to the rising value of the foreign currencies (Yen and USD in this case) and the falling value of Pakistani rupee resulting in heavy exchange losses. This has been further aggravated by the slowing economic growth, power cuts, double digit inflation, natural calamities and manmade commotions in the last four years. What is important, however is that the driving force behind the company's sustained performance is reflected by its consistent increase in sales, production and employee productivity since 2005. "These encouraging signals are the reflections of Hinopak's commitment to Global Compact Principles and its CSR oriented Social Sustainability programs" commented by Mr Fasihul Karim Siddiqi Ex Director, HR, Material Operations & Progressive Manufacturing.

The performance of Hinopak after signing the UNGC and practicing its principles provides the answers to the basic questions raised at the start of this case "Can a business grow and flourish even by spending on CSR based on the UNGC principles in the developing countries, particularly in Pakistan?" or "Can a business afford to live in line of the UNGC principles?" The answers to both of these questions are 'yes' practicing the UNGC principles helps improve the performances of businesses both at the financial and strategic front.

¹⁸ Mr. Fasihul Karim Siddiqi who was instrumental in Company's signing the UNGC Charter in 2005 and served after his retirement in 2008 as Director & Board Advisor, HR and CSR till 2010, corroborated by his successor in office Mr Muhammad Akram, General Manager HR, Administration & SHE as well as Mr Fahim Sabzwari, Company Secretary & CFO.

Annexure I

UNGC Principles

The four areas of socially responsible business are at the core of the UNGC with further breakup of each, cumulating to 10 principles given below under the three major headings:

Human Rights Protection

Principle 1: Businesses should support and respect the protection of internationally proclaimed Human rights.
 Principle 2: Businesses should make sure they are not complicit in human rights abuses.
 Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective negotiation.

Labors' Rights

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.
 Principle 5: Businesses should uphold the effective abolition of child labor.
 Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment Protection

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

Anti Corruption

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

Dimensions and Objectives

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with its above mentioned ten universally accepted principles. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

As social political and economic challenges (and opportunities) affect businesses everywhere more than ever before, many companies recognize the need to collaborate and partner with governments, civil society, labor and the United Nations. This ever-increasing understanding of the challenges is reflected in the Global Compact's rapid growth. With over 8,700 corporate participants and other stakeholders from over 130 countries, it is the largest voluntary corporate responsibility initiative in the world.

Endorsed by the Secretary General United Nations, the Global Compact is a practical framework for the development, implementation, and disclosure of sustainability policies and practices, offering participants a wide spectrum of work streams, management tools and resources - all designed to help advance sustainable business models and markets.

Overall, the Global Compact pursues two complementary objectives:

- a. Mainstream the ten principles in business activities around the world
- b. Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

With these objectives, the Global Compact has shaped an initiative that provides collaborative solutions to the

fundamental challenges facing both business and society. The initiative seeks to combine the best properties of the UN, such as moral authority and convening power, with the private sector's solution-finding strengths, and the expertise and capacities of a range of key stakeholders. The Global Compact is global and local; private and public; voluntary yet accountable.

The benefits of engagement with the UNGC include the following:

- Adopting an established and globally recognized policy framework for development, implementation, and disclosure of environmental, social, and governance policies and practices.
- Sharing best and emerging practices to advance practical solutions and strategies to common challenges.
- Advancing sustainability solutions in partnership with a range of stakeholders, including UN agencies, governments, civil society, labor, and other non-business interests.
- Linking business units and subsidiaries across the value chain with the Global Compact's Local Networks around the world - many of these in developing and emerging markets.
- Accessing the United Nations' extensive knowledge of and experience with sustainability and development issues.
- Utilizing UN Global Compact management tools and resources, and opportunities to engage in specialized work streams in the environmental, social and governance realms.

Finally, the Global Compact incorporates a transparency and accountability policy known as the Communication on Progress (COP). The annual posting of a COP is an important demonstration of a participant's commitment to the UN Global Compact and its principles. Participating companies are required to follow this policy, as a commitment to transparency and disclosure is critical to the success of the initiative. Failure to communicate will result in a change in participant status and possible expulsion.

In summary, the Global Compact exists to assist the private sector in the management of increasingly complex risks and opportunities in the environmental, social and governance realms, seeking to embed markets and societies with universal principles and values for the benefit of all.

Annexure II

Financial Highlights

	2006	2007	2008-09	2009-10	2010-11	2011-12
Profit & Loss Account (Rs. in Million)						
Sales	5,392.28	7,826.78	12,151.02	11,127.55	9,281.82	8,767.00
Gross Profit	834.58	1,387.64	1,279.14	389.48	737.29	908.08
Operating Profit	560.18	967.78	794.35	15.29	342.36	491.98
Profit / (Loss) before Tax	511.76	904.61	115.83	(130.42)	40.49	173.44
Taxation	187.88	314.56	45.91	17.65	70.63	147.73
Profit / (Loss) after Tax	323.88	590.05	69.92	(148.07)	(30.14)	25.71
Transfer from surplus on revaluation of fixed assets	5.86	5.86	7.19	5.69	5.65	22.76
Dividend	74.40	130.21	297.61	21.70	-	-
Unappropriated Profit carried forward	1,007.85	1,473.55	1,253.05	1,088.97	1,064.48	1,112.94
Balance Sheet (Rs. in Million)						
Net Assets						
Fixed Assets	865.24	890.31	954.03	921.28	1,790.29	1,780.55
Other Long Term Assets	15.05	13.12	23.59	28.48	9.79	18.81
Current Assets	3,259.54	4,008.10	4,029.42	4,793.61	2,752.86	4,894.55
Less : Current Liabilities	2,342.08	2,672.70	3,017.06	3,885.81	1,903.96	4,001.51
Total Net Assets	1,797.75	2,238.83	1,989.99	1,857.56	2,648.98	2,692.39
Financed By:						
Issued, Subscribed & Paid-up Capital	124.01	124.01	124.01	124.01	124.01	124.01
Reserves / Accumulated Profit	1,298.84	1,764.55	1,544.05	1,379.97	1,355.48	1,405.51
Long Term / Deferred tax Liabilities	84.36	65.59	44.44	81.79	120.48	136.63
Surplus on Revaluation of Fixed Assets	290.54	284.68	277.49	271.80	1,049.01	1,026.25
Total Funds Invested	1,797.75	2,238.83	1,989.99	1,857.56	2,648.98	2,692.39
Cash Flow (Rs. in Million)						
Cash flows from / (used in) operating activities	257.36	541.70	(950.34)	936.20	307.04	(778.57)
Cash flows used in investing activities	(109.99)	(106.84)	(189.41)	(60.10)	(108.98)	(102.34)
Cash flows used in financing activities	(77.54)	(134.94)	(301.34)	(21.69)	(0.01)	(0.01)
Turnover (Rs. in Million)						
Hino Chassis (including export)	5,577.64	5,943.60	9,205.34	9,232.37	8,244.52	6,776.10
Bus & Other Bodies (including export)	580.24	1,023.70	1,435.77	810.96	586.44	842.06
Spare Parts	89.05	120.88	252.95	177.76	211.27	174.96
Others	145.35	738.60	1,256.96	906.46	239.59	973.88
Total	6,392.28	7,826.78	12,151.02	11,127.55	9,281.82	8,767.00
Production (Units)						
Hino Chassis	2614	2963	3571	2577	1981	1819
Bus & Other Bodies	938	1747	2258	1173	499	1067
Hilux Frame	970	809	2409	2130	2738	4420
Hilux Deck	946	-	-	-	-	-

	2006	2007	2008-09	2009-10	2010-11	2011-12
Sales (Units)						
Hino Chassis (including export)	2551	2908	3705	2589	2047	1662
Bus & Other Bodies (including export)	789	1697	2373	1143	559	1024
Hilux Frame	970	775	2400	2020	2752	4507
Hilux Deck	962	-	-	-	-	-
No. of Employees	287	313	344	394	290	289
Investor Information						
Financial Ratios						
Gross profit ratio	13.06%	17.73%	10.53%	3.50%	7.94%	10.36%
Net profit margin / (loss)	5.07%	7.54%	0.58%	(1.33%)	(0.32%)	0.29%
Return on assets (after tax)	7.80%	12.00%	1.40%	(2.58%)	(0.66%)	0.38%
Return on equity (after tax)	22.76%	31.24%	4.19%	(9.85%)	(2.04%)	1.68%
Debt equity ratio*	0.05	0.03	0.02	0.05	0.05	0.05
Current ratio	1.39	1.50	1.34	1.23	1.45	1.22
Quick ratio	0.36	0.54	0.53	0.47	0.55	0.62
Interest cover ratio	148.59	41.87	7.78	(1.71)	1.35	2.01
Dividend payout ratio	40.20%	50.44%	31.04%	-	-	-
Dividend yield ratio	7%	4%	1%	-	-	-
Dividend cover ratio	249%	198%	322%	-	-	-
Other Ratios						
Price earning ratio	5.90	12.57	50.13	(14.75)	(45.34)	35.33
Earnings before interest, taxes, depreciation and amortization (EBITDA)	638.77	1,050.73	918.61	115.22	441.32	605.20
EBITDA Margin to sales	9.99%	13.42%	7.56%	1.04%	4.75%	6.90%
Total assets turnover ratio	1.54	1.59	2.43	1.94	2.04	1.31
Fixed assets turnover ratio	7.39	8.79	12.74	12.08	5.18	4.92
Return on capital employed	18.02%	26.36%	3.51%	(7.97%)	(1.14%)	0.95%
Inventory turnover ratio	2.66	2.62	4.42	4.02	3.69	3.84
Number of days inventory	137	139	103	91	99	95
Debtors turnover ratio	15.47	11.86	12.45	10.90	13.37	7.60
Number of days debtors	24	31	37	33	27	48
Creditors turnover ratio	3.42	2.94	5.37	4.29	3.43	3.64
Number of days creditors	107	124	85	85	106	100
Operating cycle (days)	54	46	55	39	20	43
Per Share Amounts (in Rupees)						
Cash dividend	10.50	24.00	1.75	-	-	-
Breakup value with surplus on revaluation of fixed assets	138.17	175.25	156.89	143.20	203.90	206.10
Breakup value without surplus on revaluation of fixed assets	114.74	152.30	134.51	121.28	119.31	123.34
Earnings / (Loss) per share	26.12	47.58	5.64	(11.94)	(2.43)	2.07
Share Price (High)	241.75	624.00	640.00	284.96	177.54	115.43
Share Price (Low)	120.10	152.90	282.65	148.00	102.00	63.43
Share Price (Closing)	154.00	598.00	282.65	176.10	110.20	73.25
One US\$ = Rupee as at period end	60.98	61.55	80.40	84.2	85.25	90.70
One JPY = Rupee as at period end	0.5122	0.5497	0.8169	0.9015	1.0306	1.1063

* Debt Equity Ratio take into consideration the surplus on revaluation of land and building.

Corporate Citizenship Consideration at IMCL: A Case Study
By
Prof. Dr. Mustaghis-ur-Rahman
Sponsored by the Global Compact Pakistan Local Network

1. Introduction

"We strongly believe that giving back to our employees and community is critical part of our efforts to build a better Pakistan. As we push ourselves to achieve a company vision, we expect to plough back more in UNGC Principles and will do so by fulfilling our role responsibly as a good corporate citizen" (CEO, IMCL).

While going through the publications of IMCL on "Concern Beyond Cars" for finding information related to IMCL's initiatives for protecting environment, the above lines caught my (author's) attention. I read these lines again and could understand that the lines refer to the strong commitment of the IMCL towards its corporate social responsibility in line of the 10 principles of United Nations Global Compact (UNGC). The message was so clear and tempting to me that I could not restrict myself for going through the secondary information; rather, I decided to meet the CEO to talk to him on his significant statement "..... giving back to our employees and community.....". I fixed a meeting with Mr. Parvez Ghias, the CEO of IMCL, by the help of our mutual friend; Mr. Fasih-ul-Karim Siddiqui. It was morning at 9:00 am sharp that we were in Sindh Club's bakery 'Britto'. Mr. Ghias was sipping coffee inside the bakery with two of his colleagues Mr. Babar Salim and Mr. Atif Ahmed from Corporate Planning who provide oversight on IMCL social development projects.

Mr. Fasih-ul-Karim Siddiqui took the lead in introducing the participants of the meeting informally and provided a twine for our discussion. My first query to Mr. Ghias was "how does IMCL plough back more in UNGC principles, especially, when its 500 thousand vehicles on roads of Pakistan are one of the potential sources for environmental pollution?" I further asked "do you think IMCL's contributions to the society merit a case writing?" After listening to me, Mr. Ghias replied calmly, "as far as environmental issue is concerned, it's the Government of Pakistan responsibility to make the regulation and ensure that compliant fuel is available in the country. The company for its part will ensure that vehicles produced are equipped with necessary exhaust systems to meet the environmental emission standards. The problem in the country is that we still do not have Euro2 specification diesel fuel available. The bulk of pollution mainly stems from trucks and busses operating on diesel and other vehicles emitting smoke because of poor maintenance by their owners. Our gasoline cars are fully compliant and when Euro2 diesel becomes available, we will ensure that our vehicles that run on this type of fuel are compliant within the transition period agreed with the government. The contribution of passenger cars to pollution is comparatively small because many of these vehicles are running on CNG (Compressed Natural Gas). In other countries, all vehicles beyond a certain age must pass the road worthiness examination to ply on the roads. Unfortunately, our country neither

¹ Dr. Mustaghis-ur-Rahman is Professor of Management Sciences at Shaheed Zulfikar Ali Bhutto Institute of Science and Technology and Consultant to the United Nations Global Compact Pakistan Local Network for case writing.

² The UN Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. Launched in 2000, the UN Global Compact is the largest corporate citizenship initiative in the world. More than 5,200 companies from 130 countries, as well as 700 Civil Society and International Labor Organizations, are engaged in the initiative and are working to promote responsible corporate citizenship. Further detail of the UNGC can be seen at the website www.unglobalcompact.org.

³ Message from the Chief Executive Officer with the Communication on Progress 2010-11 to the United Nations Global Compact from Indus Motor Company Ltd

has inspection standards nor are there any testing laboratories. Besides, irrespective of the size and kinds of vehicle, traffic congestions on the roads are the main cause of smoke and noise pollution in the city. We have recently commissioned a study to evaluate the cost of congestion and for last five years funded a research project on road safety". He further added, "Our project, 'Concern Beyond Cars' includes community development, environment protection measures and research on the road safety, and traffic congestion". In the answer to my second question, he said, "you are welcome to observe the IMCL's philosophy and practices of our concern beyond cars. If our contributions to the citizenship consideration are worthwhile to inform others through the academic channels, I would say welcome to you for such an initiative".

Mr. Ghias's candid response to my queries intensified my interest for knowing more about a car manufacturer's commitment to the citizenship consideration through environment protection, traffic congestions and road safety. A date for IMCL's visit was set on my request to Mr. Ghias and we talked informally so many things which were beyond the business that IMCL is undertaking.

1.1. IMCL

IMCL's vision is to be the most respected and successful enterprise in terms of customer satisfaction and delight customers with a wide range of products and solutions in the automobile industry with the best people and technology. The company aims to demonstrate responsible corporate conduct throughout the entire spectrum of its activities and operations. It ranges from providing safe products to voluntary support for a broad range of social activities with business connects. IMCL adheres to environmentally safe industrial practices and respecting workplace human rights thus align its corporate activities with citizenship considerations (Annual Report, 2012).

IMCL was incorporated in 1989 as a joint venture between the House of Habib, Toyota Motor Corporation and Toyota Tsusho Corporation of Japan. The company manufactures and markets Toyota brand vehicles in Pakistan. The main product offerings include several variants of the flagship 'Corolla' in the passenger cars category and 'Hilux' in the light commercial vehicles segment. IMCL currently employs 2000 persons with a market share of 23 per cent, with an annual turnover of about Rs. 76 billion.

The manufacturing facilities and offices of IMCL spread over 100 acres at Port Qasim, Karachi and its products are delivered to end customers through a strong network of 35 independent 3S Dealerships across the country. IMCL has sold nearly 500,000 CBU/CKD vehicles since its inception in Pakistan. It has demonstrated impressive performance, both in terms of volumetric increase and through the development of human talent embracing the 'Toyota Way' of quality and lean manufacturing. IMCL's modest beginning of 20 vehicles per day production in 1995 has increased to 220 units daily at present. Over the years, IMCL has made large scale investments for enhancing its capacity and in meeting customers' requirement for new products. Today, Corolla is the largest selling automotive brand model in 1300 cc and above category cars in Pakistan and it also has the distinction of being the largest seller among the Toyota's Asian market (Annual Report, 2012).

The company invests heavily in training of its over 2000 workforce creating a culture of high performing teams which is dedicated to the continuous improvement in their respective areas. The core values of the company encourage employees to pursue high standards of business ethics and safety. At the IMCL, staffs are encouraged to communicate candidly and to share the bad news, even. Here respect for people is at the core of the IMCL's value. The bi-annual TMC survey shows that there is high morale of employees, congenial work environment and job satisfaction prevalence at the company.

The company has played a major role in the development of the entire value chain of the local auto industry in the job creation and technology transfer to 60 auto parts' vendors. IMCL is also a major contributor of taxes to the government exchequer being one of the largest business entities in Pakistan.

2. CSR Theories and Approaches

Despite, increasing popularity of the CSR concepts and practices, the subject is not without its critics. Noble Laureate Milton Friedman and his followers, though small in number, do not find a business anything to do with CSR rather they argue that the social responsibility of business is to increase its profits and pay taxes to the state for taking care of the society (Hartman, 2002). Though there are various approaches to explain CSR, all carry a thread that is giving back to society by the businesses. CSR is basically employment of strategies by organizations that demonstrate their attachment to the community (Oliver, 1991). Commission of the European Communities (2006: p2) defines CSR as "[CR] is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs". Carroll (1979, 1999, 2008) is of the view that the social responsibility of business spread over the economic, legal, ethical and discretionary expectations a society has of organizations operating in an economy. Mallenbaker (2009) underscores the positive impact on society of a business out of its processes. The World Business Council for Sustainable Development highlights the importance of CSR in the following words, "Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and 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" (WBCSD, 2009: p6). In a nutshell, CSR is all about the ways of doing business which benefits the society in terms of its vibrancy and prosperity.

For the proponents of CSR, there are three approaches generally applied by the businesses. Oliver (1991) took lead in examining the three CSR strategies. The first is the 'acquiescence' for which a business organization accepts and acts in accordance to the community rules. In this case, firm helps the community to take care of their interests with no economic gain in return. The second strategy is 'compromise' in which the firm takes care of the community's interest in expectation of the economic return. This is 'cause' related marketing in which contribution to community cause is linked to increased business activities. The third strategy is an 'emblematic acceptance' in which a business firm pretends of acquiescence by linking itself to a community cause, but not making any significant contribution to the community cause. It was hypothesized that the type of strategy has a significant impact on a consumer's evaluation of the business' community attachment. As a result of the research undertaken by Oliver, 'acquiescence' strategy was found to be the most effective and the 'symbolic acquiescence' strategy was found the least effective. Besides, in the same study, community attachment was checked with the type of CSR strategies employed by the type of businesses ownerships. It was found that large nonlocal businesses were regarded by consumers as economic-oriented and there operators were unaware of local issues (Brennan & Lundsten 2000; Miller & Terry 2000).

3. CSR at IMCL

Corporate Planning Department is responsible for CSR activities at the IMCL. CSR is part of IMCL philosophy of business. IMCL has been playing a role in helping the underprivileged communities living in the surroundings of it to help them meet health and education challenges since the inception of the IMCL under the project "Concern Beyond Cars". However, it is from the year 2006 that CSR got a central place among the IMCL's activities with the provision of 1% of PBT (Profit Before Tax) annually. In the last 5 years, IMCL has contributed Rs 200 million in CSR activities. Besides, IMCL has been at the forefront on the call of the nation in need. It has been actively engaged in the relief efforts of rehabilitating the sufferers, of the earth quake in 2005, those effected of the war on terror in 2007/8 and to the survivors of the 2010/2011's devastating floods in the country.

As a signatory to UN Global Compact, IMCL has successfully internalized 10 UNGC principles (Annexure 1). Accordingly, in recent years, IMCL has expanded its CSR activities for the benefits of the community at large for sustainable development. Hence, environment, traffic congestions and road safety have become important

segments of its "Concern Beyond Car" project since 2006. Environment protection measures have been at the core of the CSR activities undertaken in and outside the IMCL plant, since the very beginning. There are 21 listed activities of environmental protection which also includes underground facility management, emission control and the protection of Naran and Saif-ul Muluk lakes (Annexure 2).

4. Changing Paradigm of the CSR at IMCL

Parvez Ghias took charge of the CEO of IMCL in August 2005. Mr. Ghias holds a degree in Chartered Accountancy (CA) and is a fellow of the Institute of Chartered Accountants, England and Wales. He also serves as an independent director on the board of Standard Chartered Bank (Pakistan) Limited and Dawood Hercules Corporation Limited.

His years of experience at the business management level in Pakistan and abroad has exposed him to the benefits of being socially beneficial. He strongly believes that corporate entities should responsibly invest in the communities where they operate and partner NGOs to leverage each other's strengths. Mr. Ghias was also moved by the soaring figures of road accidents in Karachi. Besides, the frequent complaints for the road congestion in the city by friends, families and employees were also a matter of concern for him.

Initially, IMCL social development work mainly comprised of supporting charitable organizations philanthropically, come off call to help in rehabilitation of people affected by calamity or undertaking environmental pollution, cleanup of lake e.g. Saiful Muluk, etc. While, such a support still continues, a turning point in this reference was seen when Mr. Parvez Ghias took charge of the IMCL as CEO after which the company started to look for sustainable solutions to the problems being faced by the people, especially in relation to the IMCL business. Mr. Ghias found that the annual allocation for the charity and helping surrounding communities was about Rs. 40 million and most of it was being disbursed through various NGOs/CBOs. Mr. Ghias was happy that at the IMCL, there was a strong consideration for the citizenship and giving back to society, however, he was not comfortable with the idea of just distributing money to address people's temporary needs without engagement of IMCL employees. According to him, the company needed to allocate some portion of the annual corporate contribution towards finding sustainable solutions for segments of society with maximum touch points. Hence, he further discussed the issue with his colleagues and other stakeholders and sought suggestions for utilization of the CSR funds keeping this strategy in mind.

Mr. Parvez Ghias started thinking the research projects on traffic accidents and road congestions, and alleviation of the environmental pollution through CSR projects. Mr. Ghias was of the view that since motor vehicles are one of the sources of road congestions and also adding to the pollution in the city, IMCL needs to find the remedial measures for the issues related to the IMCL business directly or indirectly. The company initially honed in on Road Traffic Injury Research Project (RTIRP) in collaboration with Jinnah Postgraduate Medical Centre, the NED Engineering University and Aga Khan University Hospital to evaluate the nature, location, magnitude and major causes of traffic hazards in Karachi. Subsequently, a second project titled Toyota Research on Traffic Congestion (T-RTC) was initiated with assistance of the NED Engineering University to evaluate the economic cost of chaos on road. The projects' details are given below.

4.1. Road Traffic Injury Research Project (RTIRP)

Road safety continues to be one of the nation's most serious public health issues and it affects everyone, whether you drive, walk or cycle. Since Pakistan lacked researched information on road accidents, at this stage; it was too early to ask government for a road safety policy. So in 2006, IMCL started the project with an objective to conduct series of researches on the road accidents, black spots and their causes in the Karachi city which could be used for policy making by the government at the latter stage. By 2007 the project was mature enough to find

* Two finest natural lakes that flows in the northern part of Pakistan

the causes and problems of road conditions. As a result of this research project, Karachi's road accident data of five years (from 2007 to 2011) were collected and managed in presentable form. Eye opening result of this project was that the youngsters, under the age of 25 years, are the most vulnerable to road accidents. Besides, motorcyclists/pillion riders are also the prime susceptible segment of the motorists to road hazards. The project accumulated details of 163,105 accidents in five years time.

In light of the researched findings, the RTIRC designed and operated awareness programs of the road accidents. The program included: 'Road Safety Education and Concerts' for children and youth in 80 schools and colleges reaching about 25,000 students, and 'Road Safety Art Contests' at various schools, road safety trainings to the traffic wardens in Lahore to help them in the implementation of road-related rules and regulations. The researched data on the road accidents were also shared with the management and boards of the corporate organizations. IMCL hosted the "1st National Road Safety Conference" in 2007 which provided a forum to the stakeholders to discuss their challenges and suggest possible solutions to overcome those challenges. IMCL decided to further strengthen this project at the national level. For this purpose, other MNCs were also invited to join the project. Shell Pakistan joined the IMCL's initiatives to upscale the project at the national level. In 2010, in collaboration with Shell Pakistan, IMCL hosted "2nd National Road Safety Conference" on the theme of "Helmet for Motorcycle Users".

4.2. Toyota Research on Traffic Congestions (T-RTC) Project

The Toyota Research on Traffic Congestion (T-RTC) project is the first of its kind in Pakistan as the issue of traffic congestion is critically affecting the people belonging to all walks of life in the country. As a pilot project it deals specifically with the traffic congestion caused on the section of the National Highway between the Jinnah airport Star Gate and Steel Mills turn off. The issue of traffic congestion in Karachi city is the worst among the developing countries. JICA (2006) study reveals that the traffic growth in Karachi is at the galloping pace without having a matching infrastructure in the city. The seriousness of the issue, highlighted by JICA demands effective policies and strategies to overcome the problem. Dr. Abul Kalam, the Vice Chancellor of the NED University, in his keynote speech at the project launching ceremony in 2006 observed that there was no policy in place which could reduce traffic congestion to zero. According to him, appropriate analysis is needed for the evaluation of the congestion's gravity in the Karachi city. The other experts highlighted the negative effects of the road congestions, such as: wastage of time for motorists and passengers; and delays that result in fuel losses, late arrival of students, employees, and entrepreneurs which finally results in increased cost of production of goods and services and loss of businesses, etc.

The project was based on utilizing various techniques, such as: extraction of traffic volume from video clips; traffic congestion index; scenario based congestion; and cost estimation of congestions. The research was conducted on scientific basis by following relevant international research standards. The project was to identify the bottlenecks that obstruct the smooth flow of traffic and assessing its impact in economic terms. Various authorities and departments, such as: the Sindh Traffic Police, the National Highway Authority, the Government of Sindh, the City District Government Karachi, Port Qasim Authority, Pakistan Steel Mills, Landhi Association of Trade and Industry and Bin Qasim Association of Trade and Industry were invited to actively participate and support the project as the findings of the research will be shared with all the stakeholders.

4.3. Project Outcomes

As an outcome of the two above mentioned projects:

⁵ JICA stands for Japan International Cooperation Agency. JICA is Government of Japan's an independent agency that aims to assist in the economic and social growth of developing countries and promotes international cooperation to achieve them <http://www.jica.org.ph/everything-you-need-to-know-about-jica.html>

- Sets of researched information regarding road congestions and road safety were shared with the stakeholders and concerned bodies.
- Trainings were provided to the traffic police officials for proper implementation of safety rules.
- 21 blind spots (vulnerable areas) were identified and remedial measures taken by the government. Children and youth were made aware of the road safety measures in 80 schools/colleges.
- Contributed with research information on road congestions and safety issues to the UN's program for road safety.

5. Projects' Success and Limitations

Since the projects are continuing; at this stage its partial success can be identified. Some of the successes of the projects can be mentioned as the projects have achieved their short-term objectives for making aware of the road conditions in Karachi to the concerned bodies and target groups. Due to this research, now governments at the federal and provincial levels are aware of the prevailing road conditions and road hazards issues in Karachi better than before. Based on the data, NGO's operating ambulances have repositioned themselves to vulnerable spots to be able to respond to accident quickly, while hospitals are better equipped to deal with emergencies effectively and pedestrian crossings and overhead bridges have been built at the appropriate places.

The work of RTIRP was acknowledged by national and international bodies. RTIRP was taken over by the WHO as a part of the United Nations Decade of Road Safety Reforms. IMCL won the prestigious Asian Institute of Management CSR Award in 2007 for the IMCL's initiative to work on reducing road hazards. In view of the innovative business practices demonstrated by IMCL, its CEO Mr. Pervaiz Ghias was invited to join a team of International entrepreneur and responsible business innovators as a key note speaker in the plenary session jointly hosted by the Global Compact Networks of Pakistan, Bangladesh, Vietnam and UNESCAP at the RIO + 20 Corporate Sustainability Forum of the United Nations Global Compact in RIO de Janeiro Brazil on 17 June, 2012. Encouraged by the advantages and appreciation by the international bodies for providing the basis of the policy formulation on minimizing the road accidents, IMCL is now partnering with NED Engineering University to undertake another research project to evaluate the economic cost of road congestions.

Though the research projects have been appreciated locally and at the international levels, the purpose of these projects can be achieved if their outputs are applied for the policy making by the government. Hence, Mr. Ghias and his team have a challenge ahead for providing the research exercises further with the advocacy and lobbying with the governments and with other road authorities. Will Mr. Ghias and his team go further to get policy developed and implemented by the governments (Federal and Provincial) in future? The research projects like RTIRP and T-RTC can really be effective, if the question is answered meaningfully by the CSR team of the IMCL.

⁶ The theme of the RIO+ 20 Forum Session 'A Changing World: Business as unusual' challenged businesses to innovate their approach to achieve corporate sustainability. Mr. Pervaiz Ghias, in his presentation, featured the case study of Indus Motor Company of Pakistan as one of the two social enterprises case study from the Asia Pacific Region, highlighting his Company's innovative and viable business solutions to environmental and social challenges in Pakistan

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Annexure 1

10 Principles of the UN Global Compact

The UN Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. Launched in 2000, the UN Global Compact is the largest corporate citizenship initiative in the world. More than 5,200 companies from 130 countries, as well as 700 Civil Society and International Labor Organizations, are engaged in the initiative and are working to promote responsible corporate citizenship. www.unglobalcompact.org The Global Compact asks companies to embrace, support and enact, within their sphere of influence, its ten principles.

The 10 Principles of Global Compact**Human Rights**

- Businesses should support and respect the protection of internationally proclaimed human rights.
- Businesses should make sure they are not complicit in human rights abuses.
- Businesses should uphold the freedom of association and the effective recognition of the right to collective negotiation.

Labour Rights

- Businesses should uphold the elimination of all forms of forced and compulsory labor.
- Businesses should uphold the effective abolition of child labor.
- Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

- Businesses should support a precautionary approach to environmental challenges.
- Businesses should undertake initiatives to promote greater environmental responsibility.
- Businesses should encourage the development and diffusion of environment friendly technologies.

Anti-Corruption

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

Environment Protection by IMCL

Under the environment protection program, the IMCL is actively involved in underground facility management, emission control and the protection of Naran and Saif-ul Muluk Jheel with the following activities:

1. resource preservations,
2. emission control,
3. noise control,
4. underground facility management,
5. ozone friendly refrigerants,
6. CNG powered vehicles,
7. process fuels,
8. cogeneration plant,
9. wastewater treatment plant,
10. thinner recycling machine,
11. VOC reduction program,
12. SoC reduction strategy
13. Plantation of thousands of trees at plant site has been carried out.
14. Eco friendly specialized trainings, 5 "S" and 5 "R" concepts
15. Budgetary Supports,
16. Contractor's Management,
17. Preservation of Naran & Lake Saiful Muluk,
18. No Litter Campaign with local universities,
19. Drinking Water Analysis,
20. Internal Self Audit for each Department
21. Development ERP (Emergency Response Plan)