

[AS PASSED BY THE SENATE]

A

BILL

To provide for the Corporate Social Responsibility in Profit-making Companies

WHEREAS it is expedient to provide for the Corporate Social Responsibility for companies, banks and SOEs (State-owned enterprises) with matters arising out of or connected therewith;

It is hereby enacted as follows: -

1. Short title, extent, application and commencement.— (1) This Act shall be called the Corporate Social Responsibility Act, 2026.

(2) It extends to the whole of Pakistan.

(3) It shall apply to all listed companies and non-listed large sized companies as defined in Companies Act, 2017 (Act No. XIX of 2017) except associations with charitable and not for profit objectives incorporated under the provisions of the company law.

(4) It shall come into force at once.

2. Definitions.— (1) In this Act, unless there is anything repugnant in the subject or context; -

- (a) “Board of Directors” means the Board of Directors of the company as defined in the Companies Act, 2017 (Act No. XIX of 2017);
- (b) “Commission” shall have the same meaning as defined in the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (c) “Company” means the company as defined in Companies Act, 2017 (Act No. XIX of 2017), except charitable and non-profit association or company in corporate and licensed under section 42 of the Companies Act, 2017 (Act No. XIX of 2017);
- (d) “Company law” means the company law as defined in Companies Act, 2017 (Act No. XIX of 2017);
- (e) “Corporate Social Responsibility” means a company responsibility towards the community through projects or programs relating to activities specified in the Schedule to this Act;
- (f) “Corporate Social Responsibility Policy” means a policy relating to activities to be undertaken by the company as specified in the Schedule to this Act.
- (g) “Director” means the Director as defined in the Companies Act, 2017 (Act No. XIX of 2017);
- (h) “prescribed” means prescribed through regulations made by the Commission;

(i) "rules" means rules made under this Act; and

(j) "Schedule" means **Schedule** to this Act.

(2) The words and expressions used but not defined in this Act shall have the same meanings as assigned to them in the Companies Act, 2017 (Act No. XIX of 2017), the Securities and Exchange Commission of Pakistan Act, 1997 (Act No. XLII of 1997) or the General Clauses Act 1897 (Act No. X of 1897).

(3) The Corporate Social Responsibility Act, 2026 shall be part of administered legislation of the Commission as per Schedule I of the Securities and Exchange Commission of Pakistan Act, 1997 (Act No. XLII of 1997).

3. Corporate Social Responsibility of the Companies.— (1) Every listed company and non-listed large sized company as defined in Third Schedule of the Companies Act, 2017 (Act No. XIX of 2017) shall be required to make mandatory disclosure of its Corporate Social Responsibility (CSR) activities in such form and manner as may be notified by the Commission:

Provided that such CSR disclosure shall be annexed with audited financial statements filed with the Commission and shall also be placed at website of the Company:

Provided further that the companies referred in the sub-section (1) are encouraged to spend, preferably, at least one percent of their net profit after tax for activities or projects relating to Corporate Social Responsibility as provided in the Schedule under the provisions of this Act:

Provided further also that if company referred under sub-section (1), spends corporate social responsibility amount through an association with charitable and not for profit objective, such entity must be registered with the Charities Commission or certified by the Pakistan Centre for Philanthropy.

(2) The Board of Directors of the company shall ensure that the company shall spend the Corporate Social Responsibility amount earmarked in pursuance of its Corporate Social Responsibility Policy.

(3) The company shall spend the allocated amount for activities specified in the Schedule in order of preference in vicinity or local areas around where the company majorly operated or related to its **principal** line of business.

Explanation I.— For the purpose of this section, the expression "vicinity or local areas" shall mean in order of priority, the Union Council, Tehsil, and District wherein the registered office or factory of the company is situated. It is further clarified that Corporate Social Responsibility expenditure shall not be undertaken outside Pakistan, notwithstanding the existence of any overseas branch or establishment of the Company.

Explanation II.— **Principal** line of business shall have same meaning as provided in Companies Act, 2017 (XIX of 2017).

(4) Any company which fails to comply with the disclosure requirements under this Act shall be liable to a penalty of Rupees 500,000 and per day penalty upto *Rupees* 1000 during which default continues. Adjudication and recovery proceedings of penalty shall be

subject to provisions of Securities and Exchange Commission of Pakistan Act, 1997 (Act No. XLII of 1997).

4. Corporate Social Responsibility Policy. – Subject to section 3, every company shall, within six months, formulate a Corporate Social Responsibility (CSR) Policy specifying, at a minimum, the amount to be allocated, the geographical focus, the nature of activities to be undertaken specified in the Schedule, and whether such activities shall be carried out directly or through association with charitable and not for profit objectives licensed under section 42 of the Companies Act, 2017 (XIX of 2017).

5. Approval of the Board. – (1) The Board of Directors shall consider and approve the CSR Policy and may amend the CSR Policy from time to time if needed.

(2) If the Board of Directors of the Company deems appropriate, it may constitute a Corporate Social Responsibility committee of its board members.

(3) Immediately after approval of CSR Policy it shall be displayed on the website or portal of the company.

6. Powers and functions of the Corporate Social Responsibility Commissioner. – The Commission may assign oversight and implementation of any function under this Act to any of its Commissioners and may delegate any of its powers to one or more Commissioners or any officer of the Commission as per Section 10 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

7. Tax concessions. – Notwithstanding anything contained in this Act or the Income Tax Ordinance, 2001 (Ordinance No. XLIX of 2001), any amount spent towards Corporate Social Responsibility shall be a deductible expenditure under the provisions of the said Ordinance.

8. Amendment of the Schedule. – The Commission may amend the Schedule from time to time.

9. Power of the Federal Government to make rules. – (1) The Commission may, with approval of the Federal Government, by notification in official Gazette, shall make rules to carry out the purposes of the Act:

Provided that the rules made under this section shall be subject to the requirement of the previous publication. Before making any rules, the Commission shall publish the proposed rules on its website and also issue such advertisement in newspaper as it considers appropriate, in order to invite public opinion thereon. A minimum period of thirty days shall be allowed from the date of such publication for receiving public comments.

(2) Notwithstanding anything contained in this Act or in any other law for the time being in force, the rule under the Act shall be made within a period of sixty days after the commencement of the Act.

10. Power to make Regulations. – The Commission may with the approval of the Division concerned, by notification in official Gazette, make such regulations as may be necessary to carry out the purposes of this Act:

Provided that power to make regulations under this section shall be subject to the condition of previous publication, and that before making any regulations, the draft thereof shall be uploaded on the website of the Commission and shall be followed by such advertisement in the newspapers as the Commission considers most appropriate for eliciting public opinion thereon. A period of not less than fourteen days from the date of such publication shall be allowed for receiving public comments.

11. Removal of difficulties. – If any difficulty arises in giving effect of any provision of the Act, the Commission may, by an order published in the official Gazette, make such provisions, not inconsistent with the provisions of this Act, as may appear to it to be appropriate or necessary for the purpose of removal of such difficulty.

SCHEDULE

[See section 3]

ACTIVITIES TO BE INCLUDED IN CORPORATE SOCIAL RESPONSIBILITY POLICIES

The following activities may be included in the Corporate Social Responsibility policies of the companies, namely: -

- (a) Community welfare by launching projects for betterment of community as a whole in vicinity or nearby areas;
- (b) social and economic welfare for example, prescribing monthly sums for disabled, infirm, old-age persons, stipends or scholarships, or internships for students;
- (c) eradication of poverty, hunger and malnutrition;
- (d) Promotion of healthcare by establishing hospitals, clinics and dispensaries as well as nursing, child-mother, payment for medical treatment of needy persons;
- (e) Promotion of cleanliness and sanitation by building drainage systems in nearby villages;
- (f) Promotion of education by establishing schools and colleges, libraries and laboratories, particularly for girls;
- (g) Establishment of information technology and computer training centres as well as for promotion of freelancing;
- (h) Promotion of technical and vocational education with special emphasis on skill development in those sectors which have demand internationally, financial literacy initiatives and better employment opportunities;
- (i) Empowerment of women and vulnerable groups, such as transgender persons and persons with disabilities (PWDs) and promotion of equality through financial inclusion and enterprise development;

- (j) Establishing hostels, old-age homes or orphanages for needy and poor;
- (k) Promotion of agroforestry, conservation of natural resources while maintaining soil, air and water quality;
- (l) Projects for rural development in nearby vicinities, including roads and pavements;
- (m) Projects for better living conditions in rural areas, slums and katchi abadies etc., in nearby areas including housing, clean drinking, water building parks and playgrounds;
- (n) protection of national culture and heritage by preservation of buildings and sites of historical importance;
- (o) Promotion of sports amongst youth by establishing and maintaining sports centres and stadiums, etc, as well as fixing stipends to talented and emerging players of the area;
- (p) Establishment and manage research centres and laboratories in the field of science, medicine, technology and engineering;
- (q) Working for preparedness for disaster management by making necessary arrangements ensuring relief, rehabilitation and reconstruction activities, etc;
- (r) Providing internship capacity building of youth in the area of operation of company; and
- (s) community access to banking facilities (credit), clean energy (e.g. solar panels), industrial waste disposal, and green financing.

STATEMENT OF OBJECTS AND REASONS.

Corporate Social Responsibility (CSR) constitutes an integral component of modern corporate governance, whereby companies allocate a portion of their profits towards social and environmental projects and programmes within the areas of their operations, in recognition of their responsibility towards the community.

At present, in Pakistan, contributions by corporate sector towards community welfare are made pursuant to non-binding guidelines and informal arrangements. However, there exist no mandatory provisions under the prevailing company law requiring disclosure of Corporate Social Responsibility activities. As a result, such expenditure remain ad hoc in nature and lack transparency and accountability.

This Bill seeks to formalise existing CSR guidelines by establishing a statutory framework for expenditure from company profits towards social and environmental causes, recommending a minimum contribution of one per cent of profits. While maintaining the voluntary nature of CSR expenditure initial measure the Bill places emphasis on enhanced transparency by mandating disclosure of all CSR-related expenditures by listed companies and large non-listed companies. Failure to make such disclosures shall attract penalties as provided under the law.

The proposed legislation is intended to promote transparency, accountability, and responsible corporate conduct, and to ensure that corporate contributions towards social welfare are properly documented and disclosed.

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