UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER THESIS

AN ANALYSIS OF THE BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY IN THE PHARMACEUTICAL INDUSTRY

Ljubljana, August 2022 MIRLINDA HAVOLLI

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LIST OF ABBREVIATIONS

ANOVA - Analysis of Variance

APIs- Active Pharmaceutical Ingredients

CAFE- Coffee and Farmer Equity

CEPI- Coalition for Epidemic Preparedness Innovations

CFP- Corporate Financial Performance

CMA- Competition and Markets Authority

COVID-19- Coronavirus Disease 2019

CSP- Corporate Social Performance

CSR -Corporate Social Responsibility

CSRD- Corporate Sustainability Reporting Directive

CT- Clinical Trials

ESG- Environmental, social and governance

EU- European Union

GMP- Good Manufacturing Practice

GPIF- Government Pension Investment Fund

GPFG- Government Pension Fund Global

HTA-Health Technology Assessment

IPR- Intellectual Property Rights

IVI- International Vaccine Institute

ISSB- International Sustainability Standard Board

IFRS- International Financial Reporting Standards

NFRD- Non-Financial Reporting Directive

NGO- Non-Profit-Making Organization

OI- Organizational Identification

RBV- Resource Based Review

R&D- Research and Development

SEC- Securities and Exchange Commission

S&P 500- Standard and Poor 500 Companies Index

TRIPS-Trade-Related Aspects of Intellectual Property Rights

UK- United Kingdom

USA- United States of America

WTO- World Trade Organization

WHO- World Health Organization

INTRODUCTION

The world has been focusing more on social and sustainable aspects for several decades, and people are increasingly committed to a better environment and social values that can produce healthy and positive outcomes for society (Gifford & Nilsson, 2014). Most people are aware of the consequences of various activities on Earth and in space. As a result of individual attention to the social and environmental perspectives, companies are taking strong initiatives for the betterment of society and the environment. In addition to customers' views on social practices, competing companies also provide stiff competition to their competitors when it comes to taking social and environmental actions to survive in the market. Companies are quickly realizing that they need to invest more in social issues in order to have a competitive advantage in the marketplace (Piercy & Lane, 2009). The steady increase in social and environmental disclosure proves this. Companies are becoming more open about their social responsibility efforts.

Social responsibility is an organization's accountability for the impact of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the well-being of society, considers stakeholder expectations, is consistent with applicable law and international standards of conduct, and is integrated throughout the organization (Vadivu & Raja, 2015, p. 15). Individuals and companies must act in the best interest of their environment and society as a whole to be considered socially responsible. Social responsibility is known in the business world as corporate social responsibility (CSR) and is becoming an increasingly important issue within organizations as social norms change (Sánchez-Torné, Morán-Álvarez, & Pérez-López, 2020).

CSR is also known by various other names. These include corporate responsibility, corporate accountability, business ethics, corporate citizenship or stewardship, responsible entrepreneurship, and "triple bottom line," to name a few. As CSR issues are increasingly integrated into modern business practices, the trend is to refer to them as "responsible competitiveness" or "corporate sustainability" (IRJBM, 2015). CSR refers to business activities that involve initiatives that benefit society (Moon & Parc, 2019). It has been adopted in many business sectors. CSR is also referred to as a business approach that aims to achieve sustainable development by providing economic, social, and environmental benefits to all stakeholders (Garriga & Melé, 2004). A company's CSR activities can include a variety of tactics, such as donating to national and local charities (philanthropy), doing good deeds without expecting anything in return (volunteerism), treating employees fairly and ethically (ethical labor practices), and adopting greener business practices (environmental efforts) (Carroll, 1991). CSR activities can improve a company's reputation by setting it apart from its competitors, giving it a competitive advantage (Šontaitė-Petkevičienė, 2015). Companies today are aware that their activities can affect not only their own stakeholders, but also the environment and society. As a result, CSR has become a part of the core business, creating shared value for companies and society (Porter & Kramer, 2011).

Since as early as the second half of the 20th century, the impact of CSR has been the subject of much discussion, theory building, and research. CSR has evolved from an ideology to a reality as it is considered an important and even indispensable tool for a company's success (Crifo, Diaye, & Pekovic, 2016).

Recently, all companies around the globe are implementing a variety of CSR strategies, which are evaluated and ranked by numerous agencies such as Kinder, Lydenberg & Domini, and ASSET4 (Ioannou & Serafeim 2010).

Different issues and discussions about CSR and its benefits vary between different industries, companies, and countries. Godfrey and Hatch (2007) suggest that researchers should conduct CSR research for individual industries, i.e., do not combine data across industries, because the nature and importance of CSR varies across industries. The impact of CSR and the benefits that pharmaceutical companies derive from such activities is a focus in this discipline.

The pharmaceutical industry is a very complex and sensitive industry. It is also one of the industries that is often pressured by society to act responsibly (Leisinger, 2005). CSR is as important in the pharmaceutical industry as it is in other industries, but it is also different because it produces medicines that are the most important commodity for the well-being of human life (Nussbaum, 2009). Even today, in this year with the COVID - 19 situation, everyone has understood the importance of the well-being of human life and the development of new medicines that also require accountability, responsibility and transparency - in other words CSR.

Various discussions have dealt with pharmaceutical companies and whether it has a positive or negative impact on the pharmaceutical business when CSR programs, often referred to as sustainability programs in the pharmaceutical industry, are implemented. According to Nussbaum and Sascha (2009), international pharmaceutical companies invest millions in their social programs and donations. The question is what are the benefits of these investments, whether they have an impact on improving competitiveness, cost savings, increasing revenues, motivating employees, or increasing the customer base.

Although CSR activities are widespread in the pharmaceutical industry, there is limited empirical evidence on consumer responses to CSR practices. Therefore, the purpose of this master's thesis is to provide a comprehensive understanding of the benefits of corporate social responsibility in the pharmaceutical industry by analyzing the published CSR reports of a sample of ten international pharmaceutical companies operating in different market locations. Thereby, this master’s thesis will highlight the benefits of engaging the pharmaceutical industry in CSR strategies, which is one of the most sensitive and competitive industries where CSR has become inevitable.

Hence, the goals of this master thesis are:

- To provide a literature review on CSR and it's benefits in general and in relation to the pharmaceutical industry.
- To investigate which CSR activities are carried out by companies in the pharmaceutical industry.
- To analyze the relationship between CSR and financial performance of companies in the pharmaceutical industry

This master thesis consists of two parts, the theoretical and the empirical part. In the theoretical part, the definitions of CSR by different authors are explained. In addition, the first chapter discusses the drivers of CSR to provide the basis of the study. The second chapter deals with the development of the theoretical framework, which discusses the models, theories, factors, and detailed aspects related to CSR, as well as the impact of CSR on the various outcomes of companies, including financial performance, in accordance with the existing literature. In the empirical part of the thesis, I explain the methods used in this thesis to conduct the analysis. Specifically, the techniques, approaches, methods, and philosophies used to conduct the research to capture the empirical evidence are explained. In the fourth chapter, the results are presented that are obtained from the analysis of the data obtained from the sources. Finally, the thesis presents the conclusions as well as the implications and future directions for the results of the thesis.

1 THEORETICAL BACKGROUND

1.1 Evolution and theories about CSR

In the mid-19th century, the concept of CSR was developed with the onset of the Industrial Revolution, as it led companies to recognize the social impact of their businesses on workers, society, and working conditions in general. During this time, companies implemented welfare programs for their internal stakeholders, while wealthy entrepreneurs practiced philanthropy toward needy external stakeholders (Carroll, 2008). Although such social concerns were adopted from the inception of the first more progressive companies, CSR did not enter the language of business until the 1950s, when it became a component of social balance (Mosca & Civera, 2017).

The development of the concept of CSR went through certain phases. Bowen's book "Socially Responsible Businessman", published in 1953, can be considered as the starting point. It reflected the determination of the meaning of the concept as well as the possibilities for further detailed studies on CSR. It was followed by studies on CSR by

Davis (1960) and McGuire (1963) in which they specified the concept and content of social responsibility.

In the 1960s, Friedman (1962) argued that the company considered only the increase of its profits as responsibility. If the company were to work for social causes, it would reduce profits for shareholders, lower wages for workers, and consequently increase consumer prices. Therefore, it has long been illegal to donate to charity (Carrol & Pinkston, 1996). After the publication of a study by Freeman in 1984, stakeholder theory was widely used in analyzing and explaining the relationship between business and society. The author defines stakeholders as follows, "The main assumption of stakeholder theory is that the effectiveness of an organization is measured by its ability to satisfy not only shareholders but also those stakeholders who have an interest in the organization" (Freeman, 1984, p. 31). A similar definition of stakeholders can be found in studies such as that of Eden and Achermann, who define it as "people or small groups with the power to respond to, negotiate with, and change the strategic future of the organization" (Eden & Ackermann 1998: p. 117).

Over time, people became aware of numerous social issues, which led the community to expect companies to behave ethically and socially. Then, in the 1990s, CSR was described by stakeholder theory and business ethics theory (Carroll, 1999).

In recent decades, companies have shown interest in socially responsible practices within the organization. There is a great deal of academic research on the development, theories, and especially the definition of CSR. However, different definitions based on different views or approaches have made CSR a hot topic for years (Mosca & Civer, 2017).

Nowadays, in order to keep up in the market by maintaining their position and growth or aiming for market leadership, companies need to spend part of their revenues on the community in which they operate. CSR has evolved to the point that in some countries it is even required by law that companies spend a portion of their profits on social activities. India is an example of a country where CSR guidelines require companies to spend 2% of their profits on CSR development (Jhawar & Gupta, 2017). This applies to companies whose net profit is at least USD 816,000 over a three-year period (Kamala, 2020).

According to Madrakhimova (2013), in the continental European model of CSR, much more emphasis is placed on conducting core business in a socially responsible manner. Shareholders are considered as one group among many stakeholders, so shareholder value is not seen as the primary goal of the company. This model is characterized by government regulation in this area and is therefore often referred to as a latent form of CSR. In many countries, for example, compulsory health insurance and employee health protection, pension arrangements and a range of other social issues are regulated by law.

Moreover, government regulation of many aspects of CSR goes well beyond the North American system (Madrakhimova, 2013).

In Europe, CSR officially took shape at the European Summit in Lisbon, and the European Commission published a so-called "Green Paper on CSR" (Contrafatto, Ferguson, Power, Stevenson, & Collison, 2019). Already in 1995, following the example of the Americans and Canadians, a network for CSR in European business (European Business Network - CSR Europe) was established, which dealt with the dissemination and popularization of CSR on a business-to-business basis.

Many European countries have enacted legislation on mandatory health insurance, pension regulation, and corporate environmental management (Kiesewetter & Manthey, 2017). The greatest efforts in CSR are aimed at combating unemployment by reducing employee turnover, creating jobs, and implementing regional social business projects. Philanthropy is not as popular in Europe as it is in the United States due to the high tax burden.

The American model of CSR, on the other hand, has a history dating back to the 19th century. Due to the nature of American entrepreneurship, which is based on maximum freedom of subjects, many areas of social relations are still highly controlled. In particular, the employment relationship is an employer-employee relationship (bilateral agreement), and health insurance is voluntary (Pesqueux, 2005). At the same time, the American legislation has developed numerous mechanisms for the participation of business in the social support of society through corporate funds aimed at addressing various social issues through business (sponsorship of vocational training, pension and insurance areas for employees). Responsible social behavior and corporate philanthropy are encouraged through the relevant tax exemptions and incentives established by law.

The American model of CSR differs from the European one: First, the U.S. approach to enforcement is based on common law principles, while in European countries legislation is more codified; second, for many years the social program of U.S. companies has been sold by charitable foundations in Europe, which, on the contrary, focus on targeted social programs and corporate projects; and third, the U.S. attitude at work on the principles of individualism, while in Europe is dominated by the principle of collective solidarity, a fourth, the methods of information support of CSR activities in the United States are more diverse than in Europe, but on the European continent, "general degree" CSR over (Sotorrío & Sánchez, 2008).

As companies face ever-increasing challenges, including rapid globalization, increasing environmental concerns, and growing needs of the poor, the need for results-based CSR management and rigorous evaluation of CSR performance has increased (ESCAP, 2009). According to Porter and Kramer (2011), the need for Creating Shared Value (CSV) stems in part from traditional narrow-minded business strategies that fail to consider the broad factors that influence long-term success. Porter and Kramer (2011), for example, place CSR in this category, claiming that it is an old and limited concept that originated as a means to enhance a company's reputation, and that CSV should replace it. Later, Chandler (2016), in the fourth and most recent edition of the book, comments on the growth of CSR and its increasing acceptance as important to a company's strategic decision making as well as day-to-day operations.

These trends suggest that companies are integrating CSR into their core business, across the value chain in which they are involved, both nationally and globally. As Drucker (1984) stated, "the real 'social responsibility' of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paying jobs, and into prosperity." CSR is a tool to achieve sustainable development. The concept overlaps with concepts such as corporate citizenship, corporate philanthropy, business ethics, and corporate sustainability.

Among all CSR theories, stakeholder theory is one of the most widely used for studying the issues involved. This term was first developed by Freeman (1984) in his book Strategic Management: A Stakeholder Approach, which is concerned with the people who are or will be affected by an organization's activities. On the one hand, the central goal is to achieve maximum overall cooperation within the entire system of stakeholder groups and organizational goals, and the most effective strategies for managing stakeholder relationships involve efforts that address issues that affect multiple stakeholders simultaneously. Conversation with stakeholders, on the other hand, not only serves to increase a company's sensitivity to its environment, but also promotes awareness of the background of challenges facing the organization (Kaptein & van Tulder, 2003).

According to Chen (2003), a company has many stakeholders that can be clearly defined and categorized. Each stakeholder has its own demands as well as different methods and degrees of realization. Failure to balance the interests may lead to disputes and eventually to a loss of competitiveness of the company. Clarkson (1995) was one of the first researchers to apply stakeholder theory to CSR analysis. He suggested that a company should incorporate CSR into its day-to-day operations and that managing CSR is essentially about the relationships between the organization and its many stakeholders. One of the most important contributions of stakeholder theory is to provide an answer to the question, "To whom is the company responsible?" Social responsibility" literally means "responsibility to society," while the term "society" is too broad and imprecise.

1.2 Defining CSR

CSR is difficult to define because of its complexity and the context of the problems it seeks to solve (Sheehy, 2014). Corporate responsibility has evolved from being limited to profit making to a broader set of responsibilities, culminating in the recent idea that the primary responsibility of corporations should be to create shared value (Latapí, Mauricio, Lára & Davídsdóttir,2019). Although corporations are not fully responsible for addressing social concerns, their influence has the potential to positively impact the globe. Even though companies incur costs by taking on social responsibility, experts claim that these costs are small and temporary. The benefits that come from corporate social responsibility are long-term. Therefore, there cannot be just one general definition of CSR. A definition is increasingly necessary because today's society has moved away from theory when it comes to CSR (Sheehy, 2014). Due to this development, significant legal and economic consequences are associated with CSR and false CSR claims (Crifo & Forget, 2012). However, many researchers question whether it is necessary to define CSR. One of the arguments researchers make for not defining CSR is the cultural differences that exist in the world. This brief introduction shows how difficult it is to define CSR. Different authors do not agree on whether CSR should be defined or not. In the next part, some definitions and views about CSR are given. These definitions and views are given in chronological order, starting in the early 1950s.

The first formal definition of CSR was formulated in the 1950s by Bowen (1953). Bowen (1953, cited in Carroll, 1999) formulated the following definition of CSR: "It refers to the commitment of business people to pursue those policies, make those decisions, or follow those courses of action that are desirable in light of the goals and values of our society" (p.6).

Using different definitions and terminologies, we see different examples of how researchers and companies have perceived CSR in different ways. Brown and Dacin (1997, p.68) define CSR as "the status and activities of a company in relation to its perceived social or at least stakeholder obligations." Some argue that CSR is used as a tool by which the company gives money to charity, a responsibility to the environment, while others see it as a standard for a better corporate brand or a standard that must be met. CSR as a strategy encompasses the voluntary practices of environmental and social activities to meet the goals of the company's stakeholders with the intention of making profits (Yuen & Lim, 2016). Broadly defined, CSR is the extent to which companies voluntarily integrate social and environmental concerns into their ongoing activities and interactions with stakeholders (Godos-Díez, Fernández-Gago, & Martínez-Campillo, 2010). Dahlsrud (2008) analyzed 37 definitions of CSR, the source of these definitions, Google's frequency data, and the dimensions into which each definition was classified. Of the 37 definitions, the definition from the Commission of the European Communities (2001) is the most common.

It defines CSR as a concept in which companies voluntarily incorporate social and environmental concerns into their operations and interactions with their stakeholders (Commission of the European Communities, 2001). According to this definition, the dimensions of CSR are categorized as voluntary, stakeholder, social, environmental, and economic. CSR is also defined as the company's ongoing commitment to behave properly, fairly, and responsibly while contributing to economic development and improving the lives of workers, the local community, and society in general (Fontaine, 2013). CSR is about the concern and responsibility that companies are willing to take when it comes to the community in which they operate, not just maximizing their profits. Although there are different understandings of CSR, influential models tend to explain what CSR is about. There are a variety of attempts to define the concept of CSR and measure its impact. One of the first to address this was Carrol (1979). Carrol's definition of CSR is as follows: "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a particular point in time." The usefulness of these four categories in CSR theory has been demonstrated by several empirical research articles by authors such as Aupperle, Carroll and Hatfield (1985), Clarkson (1995), Carrol and Pinkston (1996), and so on. As shown in Figure 1, these four categories form one of the most well-known models, the pyramid of CSR. As can be seen in Figure 1, the four dimensions require closer examination: economic, legal, ethical, and philanthropic.

Figure 1:Carroll's pyramid of corporate social responsibility (CSR)

Source: Carroll (1991)

As can be seen in Figure 1 of Carroll (1991), the foundation of the pyramid is economic responsibility, which explains that the business organization was created to make profits for its shareholders (owners) as its primary mission while providing goods and services to society. Over time, businesses have strived to continuously maximize profits in order to maintain a strong competitive position and operate efficiently. The economic growth of a company not only affects the company, but also the society. When the company makes a profit, it means that employees also benefit in the form of incentives. Secondly, legal obligations stipulate that both companies and individuals must follow laws and rules. It is important that all business activities are conducted in accordance with government regulations and expectations. At a minimum, the provision of goods and services must comply with legal requirements. Businesses that comply with the law are also socially responsible businesses. For example, the legal responsibility of companies is to pay taxes, enter into contracts with their stakeholders, grant licenses, and protect intellectual property (Carroll, 1991).

Turning now to ethical responsibility, ethics is a moral principle that governs the behavior of a person or a group of persons in terms of what is right and what is wrong (Sexty, 2008). Ethical responsibility means that despite compliance with laws and regulations, some norms, standards and practices that society expects from companies are not enough. Even though ethical behavior is not codified in law, it has important implications for society and also brings benefits to companies, such as a better relationship with consumers, leading to stronger customer loyalty, and retaining talented employees. In addition, ethical behavior means respecting employees' contracts and rights and complying with all environmental regulations, resulting in no penalty that costs the company dearly.

Finally, philanthropy is usually seen as a company's contribution to society in the form of resources, time and money. The goal behind corporate philanthropy is to improve social life. Companies aim to bring about social change and long-term solutions for society through charity and philanthropy programs.

1.3 Drives of CSR

Analyzing why some companies are socially responsible and others are not is critical to defining incentives as well. In some cases and jurisdictions, it is a question of the legal framework that requires companies to share their profits with the community.

Sprinkle and Maines (2010) found that companies can reduce their production costs through CSR. Stuebs and Sun (2009) reinforced this idea and concluded that highly regarded companies are more efficient. This increase in efficiency is due to the fact that they attract and motivate good employees (Stuebs & Sun, 2009). According to Vilanova, Lozano, & Arenas (2008) CSR has a strong impact on reputation. In addition to increasing efficiency, employee productivity will also increase if a company addresses social issues (Porter & Kramer, 2011). Porter and Kramer (2011) found that productivity increases when employee well-being is promoted because fewer work days are lost.

When discussing CSR drivers, it is important to note that research is conducted in different companies, industries, or cultures in general. Depending on the circumstances, there may be different drivers that trigger corporate social behavior. There is much discussion that companies that engage in CSR are usually driven by some kind of self-interest (Moon, 2001; Moseley, 2001). Hemingway (2005) identifies corporate motives, based on corporate perspective theory, including image management, the need for a global workforce, and the possibility of an ethical, altruistic impulse among corporate leaders. According to Campball (2007), economic conditions are the main drivers that prevent or drive companies to act in a socially responsible manner.

Many studies have shown that companies whose financial performance is unsatisfactory or weak are unlikely to engage in socially responsible activities. Conversely, companies that perform well are likely to participate in CSR strategies because they have more resources available. Campbell (2007) established eight propositions to determine the benefits of CSR for companies:

- The first proposition imposes that during periods when companies are experiencing weak financial performance, it is less likely that these companies will behave or engage in CSR activities.
- The second proposition shows the relationship between the socially responsible behaviour of the company and the competition they face. It concludes that companies tend to behave less socially responsible when they face too much or too little competition.
- Furthermore, besides the economic conditions, Campbell has highlighted another concept in third proposition, which is institutional conditions. Being a socially responsible company, makes you be exposed to many states' regulatory sanctions.
- Fourthly, companies are expected to act more socially responsible, if there are strong enforced state regulations which would make sure of such behaviour. Also, it essential to understand that the regulation is not always implied by the governments, but from the industries as well. Industries often have their own regulatory and mechanisms to make sure of fair practices and the standards that the members are obliged to adhere.
- In fifth proposition, Campbell arguments that, corporations are more likely to be socially responsible if the self-regulation inside the industry are effective and well-organized, and in the same time, this behaviour is supported from the government.
- Sixth proposition explains that corporations are more likely to act in socially responsible ways if they operate in an environment where normative calls for such behaviour are institutionalised, such as in important business publications, business

school curricula, and other educational venues in which corporate executives participate.

- Corporations are more likely to act socially responsible if they join to trade or employer groups, but only if these associations are structured in ways that encourage socially responsible behaviour.
- Finally, the eight proposition provides that corporations are more likely to act responsibly if they participate in structured communication with unions, employees, community organisations, investors, and other stakeholders.

Thus, the more companies face strict government and industry regulations and are monitored by independent organizations, the greater the chances that companies will participate in social programs.

Another benefit that creates the desire to apply CSR in companies is that consumers are likely to buy more or pay a higher price for products from a socially responsible company (Trudel & Cotte, 2009). This can be explained by the fact that CSR programs are able to meet the higher-level, self-determined needs of stakeholders. Therefore, CSR can be used for corporate marketing efforts and create long-term bonds between stakeholders and the company (Bhattacharya, Hildebrand & Sen,2011). However, this is only true if the CSR area of the company is related to the company's existing products or if the CSR area is related to the company's capabilities (Madrigal, 2000; Bhattacharya & Sen, 2004).

According to this research, some of the forces that favor the development of CSR are related to ethical beliefs. The drivers that underpin this concept of CSR include managerial morality, compassion, honesty, and moral ideals. According to this view, companies feel the need to act in a socially responsible manner because it is ethical to do so, even if it comes at a cost (Garriga, 2004). Business leaders who view CSR in this light act according to principles based on the progress of society, the promotion of universal rights, sustainable development, or the "common good" approach. Socioemotional wealth, according to these leaders, is a prosocial and favorable incentive for CSR implementation.

Other elements that promote CSR growth are based on instrumental stakeholder theory. In this school of thought, CSR is essentially a strategic tool for achieving economic goals through social activities, competitive advantage methods, and cause-related marketing. In this context, several scholars have pointed to the prospect of achieving long-term benefits or cost savings through CSR. CSR can be used to build connections with stakeholders, improve the company's reputation, and gain greater community support. Other CSR motivators are based on instrumental stakeholder theory. In this school of thought, CSR is essentially a strategic tool for achieving economic goals through social activities, competitive advantage methods, and cause-related marketing. Several scholars have mentioned the prospect of achieving long-term benefits through CSR or cost savings in this context (Dhanesh, 2015). Specifically, CSR can be used to build relationships with stakeholders, improve the company's reputation, and gain more support in the community.

Some theorists and managers additionally examine the availability of resources associated with CSR development, such as financial, human, and time resources. Consequently, the drivers and barriers to CSR development can be addressed by companies using resource theory, and companies can only allocate a certain number of resources to CSR. Since larger companies have more resources for CSR development, company size is an important element and predictor of CSR. Some studies, such as Gamerschlag, Möller & Verbeeten (2011), show size-related differences in CSR behavior. CSR is believed to provide internal benefits under this resource-based approach by helping a firm develop new resources and capabilities related to know-how and cost reductions or improving product quality and product innovation.

1.4 Impact of CSR

Every enterprise evolves based on the community's orientations, much like government is a social contract as an implicit sequence of rights and duties. However, the details of the contract may change according to changes within the community, but in general, the contract remains the source of legitimacy for the enterprise (Donaldson, 1982). In effect, this social contract shows the ways in which the enterprise conforms to the goals of the community. Also, according to Rawls (1971) and Ozar (1979), when considering CSR, corporations act as moral agents within the community that reflect and reinforce values. Thus, the social contract and moral action form the basic premises for the concept of CSR.

The impact of CSR can be analyzed from two perspectives: one is the impact on the company and the other is the impact on the community or society.

1.4.1 The impact to the company

Schuler and Cording (2006) have highlighted several theoretical models that suggest a direct link between corporate social performance (CSP) and corporate financial performance (CFP): good management theory, stakeholder contract cost theory, private cost theory, management cunning theory, and affordability theory. It is argued that the good management theory, along with the stakeholder contract cost theory, assumes a positive relationship between CSP and CFP, while the private cost theory shows a negative relationship. Thus, the following conditions should be met: the availability of information about the company CSP, the awareness of stakeholders in relation to this information, the values of stakeholders emphasize different characteristics, stakeholders are motivated to show supportive behavior towards the company. Moratis and Cochius (2011) identified internal desire, external pressure, and financial value added as the most common motivations for the decision to improve corporate sustainability.

Good management theory supports the fact that the management skills and strategies used to create substantial CSP are essential to achieving significant CFP (Schuler &Cording,2006). Considering that good management theory relates management's undertakings to social commitment, stakeholders will infer corporate social attitudes based on market behavior. Moreover, good management will lead to important investments related to social responsibility, improving relationships with key stakeholder groups (Freeman, 1984), which is considered a prerequisite for remarkable global corporate financial performance. The steps towards CSR will strengthen profitability, as the associated financial benefits will overcome the costs incurred by the adopted management. Stakeholder contract cost theory also assumes that the benefits of CSP exceed the associated costs (Jones, 1995), while stakeholders exercise social control over firms (Wood, 1991). In addition, it emphasizes an expansion of resources devoted to social ventures (Berman et al., 1999; Frooman, 1997; Preston & O'Bannon, 1997; Waddock & Graves, 1997b), which are assumed to be recognized by stakeholders. This reduces the cost of relations with stakeholders, who expect companies to be fair in their own rights and in the distribution of profits (Sen, 1997; Swanson, 1995). When a company honors this implicit contract, social harmony is promoted and the cost of maintaining relationships with stakeholders is reduced (Jones, 1995).

According to recent research, CSR efforts humanize the company in ways that other work components cannot, and they are a source of competitive advantage (Marakova, Wolak-Tuzimek & Tučková,2021). They show that the company is interested in all stakeholders, not just profit. People cannot be emotionally attached to their job only by their salary. In this regard, CSR can serve as a differentiating factor to make employees emotionally attached to their jobs. The relationship between the four pillars of CSR shown in Figure 1, namely economic, legal, ethical, and philanthropic, and workplace engagement has been studied by researchers. According to Lin (2010), economic CSR increases employees' engagement in their work because they believe that the company is taking good care of them economically to provide them with a safe and necessary quality of work and life. Legal CSR lowers the negative impact on the employee in the form of stress, worry, and uncertainty, all of which lead to employee disengagement at work. Ethical CSR encourages and drives people in a company to feel good about their organization and workplace, which leads to higher levels of engagement at work. Discretionary CSR increases workplace engagement because it is a voluntary effort by employees to improve the effectiveness of the organization. Thus, when employees see that the company is doing more than just serving the community by engaging in charitable causes and participating in the community, it increases their sense of purpose and drive to perform their jobs.

Unlike other corporate policies, CSR policies show the character of the company, which is not only significant and lasting, but also has a different perspective. In addition, organizations that practice CSR have a stronger public image, which creates a sense of pride among their employees. A study involving 293 college students found that corporate philanthropic efforts improve brand loyalty (Ricks, 2005). Mittal, Sinha & Singh (2008), in a study involving numerous well-known companies and a number of individuals, also found that CSR practices aimed at promoting social interests were positively associated with brand image.

Previous research has shown that an effective CSR strategy provides companies with more flexibility to deal with various situations, such as emerging crises, promoting goodwill, or other social and ethical issues, and most importantly, allows them to create a moral and ethical climate in which to practice their core values. As a result, it can be argued that CSR increases the attractiveness of companies by satisfying employees' desire to work for socially responsible companies (Brammer, He & Mellahi, 2015). Employees of such companies have higher self-esteem, which strengthens their organizational identification (OI). Previous research has confirmed the specific relationship between CSR and organizational identification.

1.4.2 The impact to the community or society

In terms of society, CSR refers to any activity that helps improve the well-being of others (Turker, 2009). According to Mohr, Webb & Harris (2001), companies are increasingly under pressure to maintain profitability while being socially responsible. Murray and Vogel (1997) claimed that CSR efforts by companies that care about social issues can lead people to have a more positive opinion of the company.

Sustainable development pursues uninterrupted improvement of the quality of life and the well-being of current and future generations and is a central goal of the European Union (hereafter EU). The Europe 2020, the strategy for smart, sustainable and inclusive growth (European Comission,2020) has set the following targets with regard to climate change and long-term energy saving: Reduce EU greenhouse gas emissions by 20% or 30% under favorable conditions compared to 1990 levels, increase the share of EU energy consumption generated from renewable resources to 20%, and improve EU energy efficiency by 20%. In addition, a binding minimum target of 10% was set for each EU member state to achieve by 2020 for the share of biofuels in total EU gasoline and diesel consumption.

In addition, several policy measures have been taken to improve the energy and environmental performance of products. The Ecodesign Directive (Directive 2005/32/ EC) established a framework for setting ecodesign requirements for energy-using products. Greenhouse gas emission targets can be met by improving the energy return on investment that can be achieved through more efficient end use of electricity. Consumers are informed about the energy and environmental performance of products through the labeling schemes established by the Energy Labeling Directive (Council Directive 92/75/EEC), the Energy Star Regulation (Regulation (EC) No. 106/2008), and the Ecolabel Regulation (Regulation (EC) No. 1980/2000).

In general, socially responsible companies do not just focus on making money or the bottom line, but evaluate the triple bottom line, which considers the impact of the company's operations on the bottom line, people, and the environment (Gimenez, Sierra, & Rodon, 2012).

According to a Harvard Business School article on five examples of corporate social responsibility that were successful, today's most profitable companies are also among the most socially responsible, and that's no coincidence. Five great examples of corporate social responsibility that have benefited society are: Lego, Salesforce, Ben&Jerry, Levi Strauss and Starbucks. Lego is the first and only toy brand to be named a Climate Savers Partner of the World Wildlife Fund, underscoring its commitment to reducing its carbon footprint. And the commitment to sustainability is not limited to collaboration. Salesforce, a cloud-based software giant, is not only a technology leader, but also a pioneer in corporate giving. Since its inception, the company has promoted its 1-1-1 philanthropy strategy of donating 1% of products, 1% of stock and 1% of employee time to communities and charities. For Ben & Jerry's, making a positive difference in the world is just as important as making delicious ice cream.

The Ben & Jerry's Foundation awards about $2.5 million in grants each year to groups in Vermont and across the country. The United Workers Association, a human rights organization that works to alleviate poverty, and the Clean Air Coalition, a New York-based environmental health and justice organization, have both received grants. Levi's is one of the first fashion companies to commit to a more ethical and sustainable supply chain, and also one of the most successful in history. Since its inception in 2011, the Worker Well-being Project has expanded to 12 countries and benefits more than 100,000 workers. In 2016, the company committed to expand the program to more than 300,000 workers by 2025 and to produce more than 80% of its goods in worker wellness operations. In 2002, Starbucks released its first corporate social responsibility report with the goal of becoming as well known for its CSR initiatives as it is for its goods. Ethical sourcing is one of the ways the brand has achieved this goal. The brand's strategy is based on the Coffee and Farmer Equity (CAFE) Practices, which were developed in collaboration with Conservation International and are among the coffee industry's first ethical sourcing criteria. CAFE evaluates coffee farms against a set of economic, social, and environmental criteria to ensure that Starbucks can source its product with good social impact (Gavin, 2019).

In addition, in an article last year about brands that are successfully engaging in CSR, the DMI (2021) cited Johnson & Johnson as a major pharmaceutical pioneer and great example of CSR in action. Over the past three decades, the company has worked to reduce its environmental impact. Its projects range from harnessing wind energy to providing clean water to people around the world. By purchasing a private utility in the Texas Panhandle, the company was able to reduce pollution while providing a renewable and cost-effective alternative to electricity. The company continues to explore renewable energy sources, with a goal of meeting 100 percent of its energy needs by 2025. Pfizer also takes a three-pronged approach to help in these situations: Product contributions, grants and access solutions. During the epidemic COVID -19, Pfizer provided $5 million through its Global Medical Grants program to improve patient detection, diagnosis, treatment and management. In addition, funding was provided to clinics, medical centers, and hospitals to COVID -19 improve patient care and outcomes. Following Hurricane Matthew and the global refugee crisis in Europe and the Middle East, grants were made available to countries such as Haiti. These funds are provided in partnership with non-governmental organizations (NGOs) to reach as many people as possible. (Digital Marketing Institute, 2021).

In today's business world, as per Gavin (2019), it's about more than just making money. Companies are increasingly expected to be purpose-driven and contribute to the greater good as climate change, economic inequality and other important issues affect communities around the world. According to a Deloitte survey, 93 percent of CEOs believe their companies are more than just employers; they are also stewarding of society. In addition, 95 percent said they plan to do more to address important issues and invest significant resources in socially responsible initiatives in the coming year (Gavin, 2019).

1.5 Benefits of CSR

The world expects companies to be socially and environmentally responsible and to adapt their business practices so that their daily operations mitigate negative impacts and contribute positively to the community (Fontaine, 2013). Nevertheless, companies make CSR decisions based on the benefits they expect to receive and the costs they expect to incur. CSR is not only an issue for companies, but also for NGOs, governments, media, consumers, etc. Companies realize that investing in CSR by implementing CSR programs will help them maintain or even improve their position in the market. Various authors describe the benefits of implementing CSR strategies. Most of them have mentioned the positive effects of CSR activities (Balcerowicz, 2015; Perry & Towers, 2013; Gupta, 2012). The company needs to understand consumer perceptions of CSR programs in order to identify the CSR practices that consumers are more likely to respond to.

The benefits can be many and adopting CSR can restore the industry's public reputation. It can also help attract and retain talent. This is because employees increasingly care about the public perception of the companies in which they work (Tolve, 2011). Similarly, CSR can promote goodwill and access to developing markets. Medicines access initiatives have long been the focus of pharmaceutical industry CSR. As revenue streams shift to emerging markets, access to medicines initiatives can create valuable business opportunities. Emerging markets offer a wealth of opportunity, says Brenda Colatrella, executive director of corporate responsibility at Merck. 'There are underserved communities and developed communities that exist side by side,' she says. Through commercial activities and CSR programs, we can create innovative business solutions that reach both markets in different ways, but provide access in both cases (Reuters, 2011).

1.5.1 The benefits for the company

The most common benefits of CSR for the company and the community in which it operates are seen as increasing revenue, reducing costs, brand image, motivating employees, reducing risk, attracting more investors, improving quality, having a good relationship with stakeholders, and differentiating from other brands (Księżak, 2016). One of the most effective benefits of CSR for companies is to increase employee satisfaction. The way a company treats its community reveals a lot about how it treats its employees. People who feel valued and supported at work are more likely to be productive and fulfilled. Giving your employees the opportunity to volunteer, especially during work hours, fosters a sense of community within the company and a connection to the surrounding community. Through these opportunities for personal growth, employees become motivated and take pride in their work. Employees who are involved in the community also serve as brand ambassadors. They will be more productive if they are more engaged with your company and the community. In fact, organizations with highly engaged employees had 21% higher company profitability (Gazzola & Mella, 2017).

According to Russell (2018) CSR also strengthens the company's brand identity and image in the minds of consumers, as customers value more those companies that invest in CSR activities. In today's digital age, companies that demonstrate social responsibility receive publicity and recognition for their efforts. Acting well in the community can benefit the brand's reputation. When consumers buy products and services from companies that support their community, they feel good about themselves. So, companies do not miss this opportunity to showcase their CSR activities and publicize community involvement. Raising public awareness about the sustainable activities would improve the public image of the brand (Russell, 2018).

In addition, CSR also contributes to the loyalty of customers towards companies. In McAllister's (2016) study, 56% of respondents believed that "a brand known for its social value" is an important purchase incentive. In addition, 53% of respondents indicated that "a brand with social commitment" is an important purchase motivator (Rurangwa, 2019). Customers are more likely to stay loyal to your brand if your company values are similar to their own. In addition, Millennials, who will outnumber Baby Boomers in 2019, are driving the market today (Khan & Fatma, 2019). CSR initiatives should highlight your company's values and show that teamwork, community involvement, and commitment are high on your list of priorities. CSR also increases employee creativity and innovation. (Kim, Chang & Kim, 2018)

Employees are encouraged to try new things through CSR activities and gain new impetus for their work. Employees feel that their social engagement enables them to contribute to the bigger picture. They might come up with new ideas for merchandise or internal procedures, or invent new problem-solving methods. Employees will feel spurred to find new and better ways to do their jobs if you show your company's ideals and enthusiasm by contributing to the community (Russell, 2018).

However, there is a difficulty in measuring the actual benefits of CSR (Moon, 2014). Based on a company-based measurement approach to CSR, which tends to measure the company-specific value of CSR activities, it has been shown that there is a lack of a systematic and company-specific method to evaluate CSR activities individually. Furthermore, corporate approaches to investment and stakeholder valuation are not sufficient for engagement in CSR activities (Weber, 2008).

1.5.2 The benefits for the society

According to Księżak (2016) CSR is a great way to show a company's social sensitivity. Companies deal with people, and the only way to communicate with them is to use human language and show compassion. For most companies, it makes sense to engage with the community solely through CSR efforts that are relevant to your product or service. CSR efforts are perhaps the most effective approach to helping society and its citizens. Businesses can support society through philanthropic donations at the local or national level. Businesses can engage with society and help it improve by investing in educational programs for the poor and street children, and homeless outreach for the homeless or refugees. They can help a local charity by donating money to unproductive humanitarian programs (Księżak, 2016).

As it should be, CSR brings broad benefits to society. It has never been more important for companies to understand the benefits they have created in the environment in which they operate. Although most research discusses the benefits to the company, it is critical to also discuss the benefits to society that result from implementing CSR, which many authors do. Companies that implement CSR programs and practices help society in a variety of ways and generally improve living standards. When society is helped, the standard of living is higher, people are more satisfied and happier, and this leads to more security and less corruption (Księżak, 2016). In most cases, when the company benefits from its CSR commitment, society benefits as well. Product quality is one of the benefits that both the company and society benefit from. When companies follow CSR rules, they try to work more efficiently, which translates into lower production costs and lower prices for consumers. In addition, the elimination of defects in the production phase leads to an increase in customer satisfaction (Mullerat, 2010).

Companies can focus on the recyclability of materials, improve the durability and functionality of products, and use more renewable resources at lower prices to keep the environment as clean as possible and contribute to the ecology of the country (Xu & Liu, 2016).

Overall, contributing to social value has emerged as the first and most important requirement for building a successful enterprise. Companies need to position themselves as socially responsible and decent corporate citizens in order to add value to the company's business (Agudelo, Jóhannsdóttir & Davídsdóttir, 2019).

1.6 CSR Programs

CSR programs are increasingly used as part of companies' marketing strategies. Companies are under increasing pressure to assume social responsibility. This is partly the result of new public standards for social performance, partly the result of the proliferation of independent ratings and rankings that make social performance more transparent, and partly the result of high-profile scandals involving prominent companies, as in the case of Enron (Pirsch, Gupta & Grau, 2006).

Most organizations that have a CSR program use it to define the company's position in society and to commit to achieving appropriate social, ethical, legal, and accountability criteria. Environmental, social, and governance (ESG) considerations have become more important in recent years, meaning companies could benefit from a values-based approach to doing business. In 2019, $22.89 trillion in assets were professionally managed using responsible investing methods, a 25% increase from 2014 (Bernow, Godsall, Klempner & Merten, 2019).

Sustainable investing is currently practiced by some of the world's largest institutional investors, including Japan's Government Pension Investment Fund (GPIF), Norway's Government Pension Fund Global (GPFG), and the Dutch pension fund ABP. Companies that are more interested in social and sustainable business could attract impact investing, for example (Gaither, Austin & Schulz, 2018).

On the other hand, companies must not just pay lip service to CSR. A CSR program must demonstrate a genuine commitment to social issues while being consistent with the company's financial strategy. This may be difficult for any company, but it is especially difficult for companies with subsidiaries in culturally or geographically diverse countries. There is no perfect approach to creating and implementing a CSR program, as the internal management of this process must be unique to the company (Stephan, Patterson, Kelly & Mair, 2016). Leadership encourages companies to view CSR as a journey and a strategy to be built over time as lessons are learned along the way about what best fits their organization.

Sprinkle and Maines (2010) highlighted some examples of how companies are engaging in CSR programs. The Body Store, for example, has banned animal testing since 2010 and considers the impact on endangered species habitats when selecting components for its products. Other activities include "green" manufacturing practices such as saving energy, reducing emissions, using recycled materials, reducing packaging materials, and sourcing materials from suppliers close to its production sites. Sony, for example, manages its greenhouse gas emissions by setting targets for carbon dioxide emissions from manufacturing, shipping, and product consumption. Suppliers and customers are often involved in corporate environmental efforts. In 2006, Wal-Mart launched a program to assess its suppliers' ability to reduce packaging, with a goal of reducing 5% of total packaging by 2013. Similarly, Hewlett-Packard offers free recycling of toner cartridges to its customers, while Staples offers greater incentives for recycling by offering its customers $3 in Staples Rewards for each toner cartridge returned (Sprinkle & Maines, 2010).

Companies can create a CSR program unique to them in a number of ways. An organized, methodical approach to managing socially responsible activities is essential to maximizing benefits. The goal is to develop a strategy based on their core competencies, identify challenges that are important to their consumers, and drive projects that make their employees proud, with the goal of generating a return that benefits shareholders (Wickert & De Bakker, 2018). With these goals in mind, it is critical that CSR is implemented at all levels of the organization to engage employees. Leaders must be willing to make a personal commitment in order for the power of social change to be positively felt in the workplace.

2 CSR IN PHARMACEUTICAL INDUSTRY

Smith (2008) explains that in recent years, society has placed high expectations on multinational corporations when it comes to being socially responsible. A large company is no longer evaluated solely on the basis of its high profits, but also on its external environment. As a result, multinationals' engagement in CSR strategies has become part of their management practices. In the pharmaceutical industry, as in other industries, CSR is a common and very important practice. The pharmaceutical industry is one of the most competitive industries. In order to satisfy the needs of its stakeholders while maximizing its profits, significant investment in CSR practices is required. A company's long-term success depends on the efforts it makes to improve its social responsibility. Intangibles such as reputation, employee expertise, and corporate culture in the context of the company's resource-based view (RBV) are some of the factors that influence a company's long-term profitability.

CSR in the pharmaceutical industry is important for both sides, the pharmaceutical companies and the society. Therefore, companies nowadays are focused on the long term. The sector, facing intense competition, is more and more under pressure (O'Riordan & Fairbrass, 2008). As mentioned earlier, the pharmaceutical industry is a very complex and sensitive industry, which is also often pressured by society to act responsibly (Leisinger, 2005). Moreover, CSR is as important in the pharmaceutical industry as it is in other industries, but it is also different because it produces medicines that are the most important commodity for the well-being of human life (Nussbaum & Sascha, 2009). Various discussions have dealt with pharmaceutical companies and whether there is a positive or negative impact on the pharmaceutical business when CSR programs, often referred to as sustainability programs in the pharmaceutical industry, are implemented. According to Nussbaum and Sascha (2009), international pharmaceutical companies invest millions in their social programs and donations.

It is a difficult decision for the management of pharmaceutical companies how to engage in such strategies in order to meet stakeholder demands. Stakeholder dialog provides an approach to help management in their relationship with stakeholders (O'Riordan & Fairbrass, 2008). Using such a mechanism as dialog, management can identify and address the requirements and responsibilities to their stakeholders. To fulfill their mission, pharmaceutical companies must work to improve the lives of society by helping to provide medicines to those who cannot afford them.

Empirical data on perceptions of CSR and society's response to CSR activities are not widespread. There are only a few studies that focus on CSR behavior in the pharmaceutical industry. Droppert and Bennet (2015) examined the types of CSR programs and motivations for CSR in pharmaceutical companies by conducting in-depth interviews with representatives of pharmaceutical companies. Of all the companies, reputation was the reason CSR was mentioned most often. All companies considered health, CSR, reputation, and sustainability to be interrelated. In another study, a survey was conducted among medical and pharmacy students, again revealing their perceptions of pharmaceutical companies' CSR programs (Nussbaum, 2009). It showed that the students who participated in the survey recognized the need and benefits of CSR programs and practices, but at the same time, there are still some CSR activities that need to be abandoned (Lee, Kim, Kim, & Kang, 2019).

In other words: When the pharmaceutical industry participates in CSR, it certainly has positive effects. For example, if a pharmaceutical company invests in the welfare of society, it would spread a positive message about the company. It would improve the positive image of the company. Some of the positive impacts of CSR on the pharmaceutical industry are the added value to the company's financial performance

As mentioned in the above chapters, CSR in the pharmaceutical industry is often recommended and regulated by governments and international organizations. Lee, Kim, Kim, and Kang (2019) provide an example from the United Kingdom. The UK Department for International Development and the United Nations have recommended a list of CSR measures for pharmaceutical companies, particularly in low- and middle-income countries, to improve public access to essential medicines.

2.1 CSR practices in Pharmaceutical Industry

Poverty, inequality and unemployment are the biggest problems and challenges facing the world today (İyigün, 2015). Companies in general have a great impact on finding solutions to these problems as they have a responsibility to help society. CSR programs are the most common way for companies to do this. Many literature sources agree that the actions and inactions of pharmaceutical companies have an impact on a large number of people (Soares 2007, p. 282; Dunfee 2006, p. 189; Van de Pol & Bakker 2010, p. 211). Because of the many ethical issues associated with the pharmaceutical business and the susceptibility of people to its products, CSR is of great importance to pharmaceutical companies.

The pharmaceutical business has traditionally been viewed as a very specialized sector, as these companies produce disease-curing and even life-saving drugs for profit, which present complicated ethical, economic, political, and social challenges. In addition to the normal duties that all companies have to their stakeholders, pharmaceutical companies have to take additional CSR measures because of the 'dual role' mentioned above. According to Donaldson and Preston (1995), the three main issues facing pharmaceutical companies are the availability, accessibility, and cost of the drugs they produce. Thanks to their research and market expertise, pharmaceutical companies can address the above problems. According to Leisinger (2009), the main responsibility of pharmaceutical companies is to research, develop, and produce excellent drugs in a lucrative way to improve people's health, and this responsibility is not shared by other business units. These requirements are particularly pronounced in poor countries, where the availability, accessibility, and cost of medicines and health services are often inadequate.

Pharmaceutical companies are expected to be morally responsible because, in some cases, they produce life-saving drugs at relatively low production costs; benefit from public and government support in the form of patent protection, college research, and charitable organizations; can pass on their intellectual property to enable the production of generic drugs; and earn high profit margins.

Ethical concerns in this industry include the environmental impact of processing and the wide-ranging social and economic consequences associated with product distribution. The industry has been criticized for its less-than-transparent research ethics, which include animal testing and clinical trials (CTs) in developing countries, raising concerns of exploitation of low-income families (Nussbaum, 2009).

One of the most important parts of CSR for any company on the planet is to not harm the environment according to Oger (2009). The pharmaceutical industry is both a manufacturing and chemical industry, both of which are known to be heavy polluters of water, soil, and air, especially those that specialize in the production of active pharmaceutical ingredients (APIs). China is now the largest producer of APIs, accounting for 40% of global production. This large-scale production has resulted in significant pollution at some sites, threatening human and environmental safety. As a result, several rules and regulations have been enacted to limit the use and discharge of potential pollutants (Oger, 2009).

Good manufacturing practice (GMP) refers to the procedures required by organizations responsible for approving and licensing the manufacture and sale of food, drugs, and other pharmaceutical products (Chin & Lee, 2008). European Medicines Agency regulates GMP establishes the minimum parameters that a pharmaceutical company must adhere to in order to ensure that its drugs are of acceptable quality, thereby reducing hazards to humans and animals. GMP refers to the standards that must be met throughout the manufacturing process. The term "quality management" in the context of GMP refers to ensuring quality at every stage of the manufacturing process, not just ensuring the condition of the final products. In other words, pharmaceutical companies must ensure that their materials, personnel, facilities, manufacturing processes, distribution, and quality assurance all meet GMP requirements. Therefore, pharmaceutical companies should implement GMP or the local equivalent in each country to ensure the quality of the medicines they produce (EMA,2021).

2.2 The link between CSR and Intellectual Property

The concept of CSR has evolved from a mere interaction between management and shareholders to a measure of comparison between society's expectations and corporate principles (McWilliams & Siegel, 2001). There are several factors that must be considered for CSR to be effective, including mandatory disclosure. Defining "how good is good" will (or should) improve a company's accountability for the data it discloses. "Mandatory disclosure will lead to normative pressure for action" (Jackson 2014). In recommending CSR as a technique to promote corporate accountability, it may be critical to distinguish between the information that should be disclosed. The pharmaceutical industry relies heavily on the patent system to protect its inventions, but the current debate has led to questions about whether or not this industry should share responsibility for realizing the human right to health (Keswani, 2020).

The pharmaceutical industry has come under fire in recent years from an ethical perspective because of its patents and the lack of access to life-saving medicines for many poor people in both less developed countries and the United States. Industry has responded with economic and legal justifications for its actions. The result is a communication gap between industry on the one hand and poor countries and U.S. critics on the other. Intellectual property rights (IPR) and CSR are usually seen as contradictory.

Intellectual property rights is a term of art that describes a set of different laws that give the creator exclusive rights to his or her intellectual creation, as opposed to physical property. The creation may be a technological invention, a literary or artistic work, a new design, a distinctive trademark, a new plant variety right, a performance, etc. Generally, the duration of exclusivity is limited, except for registered trademarks, which are different from other IP rights (Tritton, 2007). IPR is protected by law, for example, through patents, copyrights, and trademarks, which allow people to gain recognition or financial benefit from what they invent or create. By balancing the interests of innovators with the broader public interest, the intellectual property system is designed to foster an environment in which creativity and innovation can flourish (World Intellectual Property Organization - WIPO, definition).

Companies must adopt balanced practices that benefit both society and shareholders. In particular, the website IPR could be further protected by CSR practices as they help develop a stronger brand image. The main reason pharmaceutical companies ignore the public interest when enforcing patents is because they need the revenue for additional research and innovation. If the funds are raised without compromising public health, this argument is easily dismissed. In a debate between public health, which is an important part of any company's ethical conduct and CSR, and IPR, which is critical to recognizing the intelligence behind an innovation as well as raising funds for additional research and development (R&D), there can be no winner. It is critical that both win for the benefit of humanity, thus maintaining a balance between the two (Reichman et al., 2014).

Pharmaceutical drugs are protected by patents. According to Article 52 of the European Patent Convention, European patents are granted for all inventions in all fields of technology, provided they are new, involve an inventive step and are susceptible of industrial application. Thus, for a pharmaceutical product to be protected, the criteria must be that it is new, that it represents an advance over currently existing medicines (inventive step) and, of course, that the medicine is usable (industrial application). Given the complexity of a drug, clinical trials must be conducted to show that the drug has no side effects in order for it to be patented. Once patented, however, the patent holder is entitled to the exclusive right or, in other words, a 'monopoly' position. However, this only applies in very limited cases where the patent holder cannot prohibit others from producing the drug as required by the country due to compulsory licensing.

The patent holder's exclusive rights under the 1994 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) generally include the following:

- in the case of a product patent, the right to prevent third parties from making, using, offering for sale or selling the product, or importing it for these purposes, without the owner’s consent; and
- in the case of a process patent, the right to prevent third parties from using the process without the owner’s con- sent; and to prevent third parties from using, offering for sale or selling the products obtained directly by that process, or importing them for these purposes, without the owner’s consent

There are certain exceptions to the principle that a patented invention may not be exploited without the permission of the patentee. These exceptions consider the balance between the legitimate interests of the patent owner and those of competitors, consumers, and others. For example, many patent laws permit the exploitation of a patented invention without the patent owner's permission: private acts for noncommercial purposes, acts for experimental purposes or scientific research, and acts to obtain regulatory approval for drugs. In addition, many laws provide for various situations in which compulsory licenses may be granted and the use of patented inventions by the government may be permitted without the authorization of the patent holder in the general public interest.

The concept of IPR is controversial. Nonetheless, there is justification for granting exclusive rights to some original useful products or processes if the result benefits the public good. Because IPR is scientifically different from other types of property, the ethical defenses for intellectual property rights differ from those for other types of property, and traditions in different parts of the world treat intellectual property differently. Nonetheless, there is a two-part argument in defense of the ethical legitimacy of limited intellectual property rights that is intuitively attractive, widespread, and sound. The first part is the fairness or equity argument, which holds that under the free enterprise economic system, those who invest time and/or money in developing a product or expressing an idea deserve a chance to be compensated if the result they achieve is useful and beneficial to others who are willing to pay for it. It should be unfair or unjust for others to take that result, market it as their own, and profit from it without having put comparable time or money into its development before the original developer has a chance to recoup his or her investment and possibly make a profit. Intellectual property protection gives innovators this opportunity. (De George, 2005). The second part of the argument is based on consequences. It states that if developers are not allowed a period of time in which to recoup their investment and make a profit, the incentive to develop new products that benefit society will be greatly diminished. Society benefits from new products both at the outset and after they are no longer proprietary and fall into the public domain. Therefore, the greatest benefit to the public good or society is to be obtained by allowing the inventors and developers of a new product a period of time in which they can make their profits without competition from free riders. The two arguments together lead to the conclusion that time-limited intellectual property protection is fair to society and better for producers than the absence of such protection. (De George, 2005). Patent protection for pharmaceutical products, as for any other invention, lasts 20 years, with some exceptions in some countries 25 years of protection, as a result of clinical trials.

Pharmaceutical companies had come under increased pressure to give up intellectual property and lower prices in response to the HIV/AIDS crisis. Major pharmaceutical companies-all of which had CSR codes-refused to lower their prices in response to the HIV pandemic in Brazil in the late 1990s. The Brazilian government intervened, and prices were reduced by 72-77% (Flanagan & Whitman 2007, p. 68). Countries that join the World Trade Organization (WTO) receive protection for "trade-related aspects of intellectual property rights" (TRIPS). As a result, pharmaceutical companies' patents receive increased protection because WTO membership "grants at least 20 years of patent protection for new drugs, making cheaper generic substitutes unavailable during that time (Soares 2007, p. 280). This raise concerns that developing countries like Uganda will not be able to import cheaper generic drugs to protect public health.

Even with substantial discounts (sometimes up to 90%), off-patent generics can be produced more cheaply (Soares 2007, p. 282). Because the pharmaceutical industry earns profit margins that are "among the highest of any industry in the world" (p.282), researchers ask whether pharmaceutical companies would be harmed by releasing patents or selling drugs at low prices. According to Leisinger (2009) Industry representatives argue that the industry would be less attractive to potential investors if intellectual property rights were abridged, which would affect the development of new drugs. Industry also argues that bureaucracy will lead to a shorter patent life when the product eventually reaches the market. In a debate between public health, which is an important component of ethical behavior and CSR for any company, and intellectual property, which is critical to recognizing the intelligence behind a discovery as well as obtaining funding for further R&D, there can be no winner or loser. It is critical that both win for the benefit of humanity and thus a balance is maintained between the two (Leisinger, 2009).

2.3 The influence of CSR on the course of the pandemic COVID-19 and the development of the new vaccines

The outbreak of the COVID -19 pandemic has caused significant changes in the world. It is the largest and most dangerous health crisis of the past century, with far-reaching implications not only for health but also for the economy (Onyeaka et al., 2021). COVID

-19 is wreaking havoc around the world, and no country is spared the consequences, whether directly through loss of life and health or indirectly through the impact on the economy, health care, education, and many other sectors of society. The pandemic disproportionately affects people living in poverty and vulnerable situations (Trudeau, 2020).

According to Raimo et al. (2021), all over the world, there is a determination to work together and support each other in any way possible to cope with the uncertainty during this time. Businesses, as part of a country's economic and social fabric, play a critical role in the fight against the pandemic COVID -19. Faced with increasing social pressures, businesses are being pushed to become socially responsible and to expand their CSR policies to adapt to a new, more dynamic pandemic environment (Raimo et al., 2021).

Patuelli, Caldarelli, Lattanzi, & Saracco (2021) explains how CSR and a company's commitment and accountability to its stakeholders are especially important during a crisis. The COVID -19 pandemic is one of the world's most devastating shocks. Its direct and indirect consequences expose both companies and communities to unprecedented external influences. Companies may be tempted to make short-term decisions to achieve rapid recovery or immediate profits that will sustain their existence, spending less money on CSR as many stakeholders become more vulnerable. However, such tactics are likely to damage stakeholders' long-term trust in companies and have a detrimental effect on corporate governance. More importantly, they are inconsistent with their ethical responsibilities (Patuelli, Caldarelli, Lattanzi, & Saracco,2021).

Currently, there are no specific vaccines and treatments for COVID -19, but there have been local, regional, and global initiatives to ensure vaccine availability, including the important COVID -19 Vaccine Global Access (COVAX) Facility. We particularly acknowledge the role of the World Health Organization (WHO) as the lead global health agency in ensuring vaccine availability, but also the ongoing efforts of Gavi (the Vaccine Alliance) and the Coalition for Epidemic Preparedness Innovations (CEPI) as part of the vaccine pillar of the Access to COVID -19 Tools (ACT) Accelerator (Wouters et al., 2021). We also recognize the role of the International Vaccine Institute (IVI) in providing vaccines and access to vaccines to vulnerable populations in developing countries and fully support the important leadership role of the UN Secretary-General in ensuring a coordinated process. "None of us is safe until we are all safe". This statement by the United Nations Secretary-General, António Guterres, sums up the momentous challenge ahead (Gilbert & Hatchett, 2021).

However, there are other intellectual property experts and professors who are questioning current practices to some extent and are looking for new incentive solutions for new drug development. Pugatch (2020) argues (not yet empirically proven) that COVID -19 has somehow deepened the gap between the appreciation of scientific efforts and results and the willingness to pay for such efforts, as individuals and as a society. In his view, this is not ethical thinking. He emphasizes that there are some principles that governments and research-based biopharma companies should adopt - referring to what he calls "the new narrative of our social contract."

According to Sung et al. (2021), the Access to Medicine Foundation, which focuses on CSR in general, has also created the Access to Vaccines Index, which assesses what vaccine manufacturers and developers are doing to increase global vaccination coverage. Eight companies were evaluated in the areas of research and development, pricing and registration, and production and delivery. Because the most recent version was published in 2017 and the COVID -19 vaccine is not the same as the other vaccines, this index is inadequate to capture the current situation (Sung et al., 2021).

From the industry's perspective, governments and the public are dealing with deflationary budgets, a sharp decline in GDP, and rising unemployment - things are not what they used to be. Poverty and economic gaps are becoming a tragedy. Fiscal and monetary conditions are changing dramatically. There is an urgent need to consider these equations in any commercial negotiations or pricing decisions (Ferriera, 2021).

The biopharma business model will take a hit and must change as well. Some practices will be lost forever or will need to be completely transformed, such as the way medical representatives interact with healthcare professionals. Product development needs to be part of a broader approach to healthcare or medical solutions. This is part of the transition from a vertical to a horizontal structure in the industry. As a society, we want and should pay for a comprehensive solution, not just product after product (Balza et al., 2021).

All this requires a new narrative between industry and government, a new circle of trust through some proposed principles. According to Pugatch (2020), these principles can serve to create a "new deal" between industry and governments, a new chapter or story. Pugatch (2020) suggests the following principles:

1. The private sector, not least the pharmaceutical industry, is part of the solution and should be perceived as such. Enough with this nonsense of evil big bad pharma, who wishes to exploit the situation, etc.
2. The commitment to develop and deliver COVID-19 solutions, including vaccines, as well as any other medical technologies, is first and foremost for all people, for all the human race. It should not be done for the benefit of one or a group of countries. Looking at what is going on as an arm race between governments, protectionism, self-sustainability at the expense of others is destructive and should be utterly abandoned.
3. Now more than ever the economic-principles of differential pricing should apply, but only if governments are willing to ensure there is no free-riding or rent seeking.

Different economies will have growing gaps in their ability to finance healthcare technologies. This time the richer governments should be willing to pay more and not frown upon the fact some countries are getting it cheaper. Otherwise, no one will get anything, or worse only some will get something.

4. Stop proposing to demolish the global intellectual property system, certainly not now. Yes, the system is not perfect, yes it should be adapted and evolve (not least given 4IR), something that will occur naturally. But the IP system is almost 700 years old. It has managed to sustain industrial revolutions and pandemics and still work for our benefit. Lets' not ruin what is already working rather successfully. Modify yes, destroy no!
5. Convergence, integration and harmonization are the name of the game. Industry and governments must work together to better streamline their technological and informational capabilities. We are in dire need to better databases, higher level or data transparency, more efficient cross-functional systems.

Only through collaboration can these goals be achieved (Pugatch, 2020). Pharmaceutical companies must ensure that new ideas are translated into meaningful initiatives that benefit people and developing countries, as well as workers, stakeholders, and the public. One strategy to achieve this is to create initiatives that contribute to the achievement of the Millennium Development Goals from WHO. Another, perhaps more effective, approach is to respond to real and unmet needs on the ground, needs that may not be in the public spotlight but are concrete and relevant. Most successful CSR efforts show that we get the best results when the project is deeply rooted on the ground and succeeds in building a network of partners and public/private funding that supports robust, autonomous, and self-reliant long-term activity (Contreras & Manuel, 2004).

He and Harris (2020) point out that several companies/retailers have tried to profit from the problem. For example, to prevent profiteering from spreading, the U.K. Competition and Markets Authority (CMA) established a special task force to prosecute companies that profited from the pandemic by inflating prices or making false product claims. The crisis has inevitably put companies' commitment to ethical business practices and CSR under scrutiny. Some may argue that the short- and long-term financial burdens of the outbreak have caused companies to focus on short-term profits, sometimes even through fraud and misconduct, and to cut costs. However, many companies have not only avoided unethical business practices during this crisis, but have proactively engaged in numerous CSR activities, especially those that can provide immediate help and support in the fight against the virus. There is no doubt that those who take a more thoughtful and strategic approach to CSR will benefit greatly from the current pandemic. For example, UK pharmaceutical companies have repurposed their facilities to produce respirators, personal protective equipment, hand sanitizers, and other items, with some donating rather than selling these items (He & Harris, 2020).

However, CSR measures by pharmaceutical companies often include differential pricing of medicines, improving the infrastructure for delivering medicines in LMICs, and targeting research and development for neglected diseases. Ramaswamy et al. (2020) believe that a socially responsible company should consider access to treatment for LMICs and the following five priorities: (1) drug price, (2) patent, (3) collaboration between public and private initiatives, (4) research and development, and (5) drug use. The price of vaccines has traditionally received much attention, with studies highlighting its importance in creating sustainable access in low- and middle-income countries. Price differentials are a viable strategy to improve access to medicines. In such a system, high-income countries (HICs) would pay more for medicines, while low- and middle-income countries (LMICs) would pay only for production costs and not for research and development expenses. As a result, prices are set to reflect a country's ability to pay, as measured by its income level. Pfizer/BioNTech, for example, was said to be generating substantial profits from the vaccine, accounting for about a quarter of total sales in the first quarter of 2021. Pfizer/BioNTech also predicted that its vaccine will generate $33.5 billion in sales this year, up from $15 billion previously. Moderna is also expected to generate a significant number of sales this year. Product sales of the vaccine, COVID -19, were estimated to total $5.9 billion. AstraZeneca-Oxford generated sales of $ 1169 million from the vaccine, representing 7% of total sales. Janssen reported vaccine sales of $100 million in the first quarter and $164 million in the second quarter, for a total of $264 million in the first six months. Sinopharm and Sinovac did not make public announcements or provide earnings targets. Sinopharm claimed to have earned RMB157,494,669 (about $24.4 billion) in "drug sales" revenue, but the report did not indicate how much profit was earned from COVID -19 vaccinations. Sinovac did not provide financial reports for 2021. According to a Bloomberg report, Sinovac could earn up to $25 billion and Sinopharm up to $23 billion from sales of COVID -19 vaccines in 2020 (Sung et al., 2021).

3 REPORTING CSR

Corporate social responsibility has become an important issue in recent years, and reporting on it has become a growing phenomenon. In 2016, 82 percent of Standard and Poor (S&P) 500 companies published some type of CSR report, up from only 20 percent in 2011 (Demir & Min, 2019). The practice of disclosing data on CSR activities through the publication of sustainability reports has led to greater transparency and accountability among companies. Companies want to benefit as much as possible from being perceived by society as a socially responsible company. This is one of the main reasons why they report on CSR and ensure that they communicate this to society through various media.

In addition, CSR reports can help maintain an appropriate balance between the interests of different stakeholder groups, which is critical to the company's existence (Shankman, 1999). Communication by public companies is often voluntary, but they are required to report to their shareholders at least once a year. Reporting is usually done on an annual basis and through the traditional mechanism, the annual report. Over the years, companies have added more to the annual report than just the financial statements for the most recent period. Nowadays, the annual report includes information on how the organization is engaged in CSR. The accuracy of social accounting may still be questionable because it is controlled by management, but there is no doubt that it is a growth area (Sweeney & Coughlan, 2008).

Although CSR reporting became mandatory in the EU in 2017 with the implementation of the Non-Financial Reporting and Diversity Reporting Act (2014/95/EU), this directive only applies to a small number of companies. For the vast majority of companies, CSR reporting will continue to be optional (Galant & Cadez, 2017).

The Non-Financial Reporting and Diversity Reporting Act (2014/95/EU) applies to those companies that meet the following requirements:

- Organisations must produce a non-financial report if they are both:
  - An average number of employees exceeding 500 during the financial year
  - Either:
    - a balance sheet total exceeding EUR 20 million, or
    - a net turnover exceeding EUR 40 million
- A public-interest entity, meaning any entity which is:
  - Trading transferable securities on the regulated market of any Member State, or
  - A credit institution, or
  - An insurance undertaking, or Designated by a Member States as a public interest entity

Nevertheless, many organizations have responded to the call for greater transparency. Although CSR reporting is not mandatory, it has been adopted by many of the world's largest companies, and there are a number of competing global standards for nonfinancial reporting, such as the Global Reporting Initiative and the UN Global Compact (Chen & Bouvain, 2008).

It is worth noting that information about CSR initiatives is often published under different terms. CSR reporting, non-financial reporting, sustainability reporting, sustainable development reporting, social reporting, corporate citizenship reporting, environmental and social reporting, triple bottom line reporting, people planet profit reporting, and so on (KPMG, 2017).

The terminology of CSR reporting varies both in the literature and in corporate practice. According to a study conducted by KPMG in 2013, it shows that the most commonly used term for these types of reports globally is "sustainability reports" (43%), "corporate social responsibility" reports (25%), and "corporate responsibility" (14%) (KPMG, 2013).

3.1 CSR Reporting Standards

Different jurisdictions handle sustainability reporting in different ways. The United States and the European Union take different approaches to sustainability reporting. According to Christensen et al. (2019). This is primarily due to differences in corporate governance, legal traditions, and national balancing of interests. In terms of mandated sustainability disclosures, the United States has historically relied on a principles-based approach based on the idea of materiality. In addition, market demand is driving voluntary sustainability reporting. The EU, on the other hand, relies primarily on regulatory measures to enforce materiality, which is consistent with its stated institutional goals and previous rulings (Christensen et al., 2019).

The U.S. Securities and Exchange Commission (SEC) currently requires publicly traded companies in the United States to disclose certain ESG information, such as a description of human capital resources and any actions or goals on which management focuses if they are material to the company's understanding. In addition, in 2010, the SEC issued guidance on how U.S. securities laws and regulations may require disclosure of climate-related information, depending on a company's circumstances. In addition, the SEC is currently considering further regulatory efforts. However, there is widespread agreement that the level of disclosure required of companies under current regulations is much lower than in a number of other established markets (Tschopp & Nastanski, 2014). The SEC has recently taken numerous actions related to climate and ESG reporting, including a public request for information on potential new climate disclosures and a review of existing climate-related disclosures.

The European Commission (2021) approved a proposal to replace reporting requirements under the NFRD, which currently requires large public interest companies with more than 500 employees to disclose environmental, social, and employee-related matters such as anti-bribery, anti-corruption, and human rights. The proposed Corporate Sustainability Reporting Directive (CSRD) will expand the scope to include large companies as well as all companies listed on EU-regulated EU stock exchanges (with the exception of listed micro-entities). By requiring a "limited review" of sustainability information by a company's auditor or an independent assurance provider, the CSRD brings sustainability reporting closer to financial reporting. In the future, there will be the option to move to a "reasonable assurance" standard for financial information.

Companies subject to the CSRD (2021/0104) will have to comply with it from the fiscal year beginning on or after January 1, 2023. It is also worth noting that the EU is working on a very precise taxonomy and action plan for sustainable finance. The categorization method will have a significant impact on which economic activities can be supported under the EU Green Deal.

Christensen, Hail & Leuz, (2019) has explained as well how different jurisdictions have different legal structures governing corporate disclosure and different legal accountability profiles. The United States, for example, has the highest litigation risk with respect to corporate disclosure. The nature and acceptance of both voluntary and mandatory disclosures is influenced by both the legal framework and the level of litigation risk in different markets. The U.S. framework is based on investor protection, capital formation, and fair and orderly markets. The EU framework, on the other hand, is based on the requirement for transparency for all stakeholders. In U.S. securities law, there is no thought of mandating multi-stakeholder disclosure. Another aspect to consider is that the EU tends to mandate disclosure of certain indicators by all companies. In contrast, the U.S. tends more toward a paradigm where a company decides for itself what information is relevant to investors, unless the SEC clearly dictates otherwise (Christensen et al., 2021).

According to Krawczyk (2019), the International Sustainability Standard Board (ISSB) will take a "building block" approach, with the goal of creating a global basis for sustainability reporting that allows for greater comparability and consistent application of standards while allowing flexibility in coordinating additional regulatory reporting requirements. This method is attractive for supporting technical baseline data. As of 2018, there were 144 countries applying International Financial Reporting Standards (IFSR), meaning that many of these countries are likely to accept the new ESG standards and require companies to use them as a baseline. While it took nearly a decade and a half to develop a comprehensive set of IFRS accounting standards and another decade for major countries and organizations to fully implement the standards, the pace at which many countries adopt the ISSB standards is likely to be much faster given the building block approach (Krawczyk, 2019).

3.2 CSR reporting in Pharmaceutical Industry

CSR reporting conveys useful information to external and internal stakeholders about the economic, environmental, and social outcomes achieved by an organization (Hąbek & Wolniak, 2015). As mentioned earlier, the increase in ethical awareness among stakeholders has led many global companies to adopt CSR measures. It can be said that of all industries, companies in the pharmaceutical industry bear the greatest responsibility for adopting standards of ethical social behavior. This is especially true for pharmaceutical companies, as they are expected to improve the quality of life of people around the world by providing high-quality medicines (Salton & Jones, 2015). Considering the aforementioned fact that pharmaceutical companies can directly contribute to social welfare, they should act in such a way that they take all possible measures to improve their services in order to respond to society's concerns. In this way, they can strengthen the trust of society and build or maintain the reputation of their company. According to Smith (2003), CSR has a strategic importance for the pharmaceutical industry and is known for philanthropic activities that go beyond supporting charities. Pharmaceutical companies have a moral obligation to behave ethically, responsibly, and transparently. They must produce goods in an ethical and transparent manner, which is critical for effective healthcare strategies and services in both developing and developed countries (Azim & Azam, 2013).

However, there have been many problems and scandals where managers have acted disingenuously and used tactics to manage stakeholder expectations by omitting negative information and creating the false impression that they are environmentally and socially responsible (Siano et al., 2017). It can be extremely difficult to distinguish between an ethical commitment to CSR and an impression tactic to save the day, as was the case for Novo Nordisk A/S in 2017 with the marketing activities of its diabetes drug or for Sanofi in the same period with the campaign and misuse of its dengue vaccine in the Philippines, so CSR reports help identify inconsistencies in corporate behavior (Demir & Min, 2019).

However, according to Dănescu and Popa (2020), the adoption of sustainable reporting by pharmaceutical companies in the capital market can increase the transparency and credibility of reporting as well as a company's reputation and, implicitly, its financial performance. Moreover, the emphasis that organizations, government agencies, and the media place on CSR practices forces companies to act and comply in ways that benefit public health and local and regional economic and social growth (Dănescu & Popa, 2020). This led to an increasing number of companies deciding to disclose (report) their CSR engagement activities in the pharmaceutical industry as well. In 2011, KPMG conducted an international survey on corporate social responsibility reporting and found that CSR reporting for the top 100 pharmaceutical companies in each of the 34 countries surveyed had more than doubled since 2008 (KPMG, 2011).

CSR reports are used not only as a means of communication, but also as management tools. According to Pavlik and Belcik (2010), a CSR report should have the following characteristics:

- reliability,
- completeness,
- pragmatism,
- suitable form.

CSR reporting includes information on providing excellent customer service, achieving financial performance for shareholders, and meaningful contributions to local communities, the environment, and other stakeholders. Vartiak (2016) analyzed CBRE

Group's CSR reports to show what general information a CSR report contains. This report includes information on the following topics:

- Environmental Sustainability
- Communities & Giving,
- People & Culture,
- Ethics & Compliance,
- Governance,
- Health & Safety.

The primary goal of CSR reports is to communicate all aspects of a company's social impact (Randles, 2013). Therefore, it is not surprising that all CSR reports have a similar format: They outline a social or environmental problem and then report how much money the company has spent on a variety of good causes to address the problem.

The selected pharmaceutical companies whose CSR reports are analyzed in this thesis have shown an increasing interest in sustainable reporting in recent years by becoming more involved in specific social responsibility activities and publishing financial and non-financial information about these activities. The content of the reports included the usual elements that CSR reports typically contain, as mentioned above. The ten companies included in our study have CSR experiences that span a variety of projects, from community health to economic and social development activities for the local community and for employee involvement in various health programs.

4 ANALYSIS OF CSR ENGAGEMENT, THE BENEFITS AND COSTS IN PHARMACEUTICAL COMPANIES

4.1 Research framework

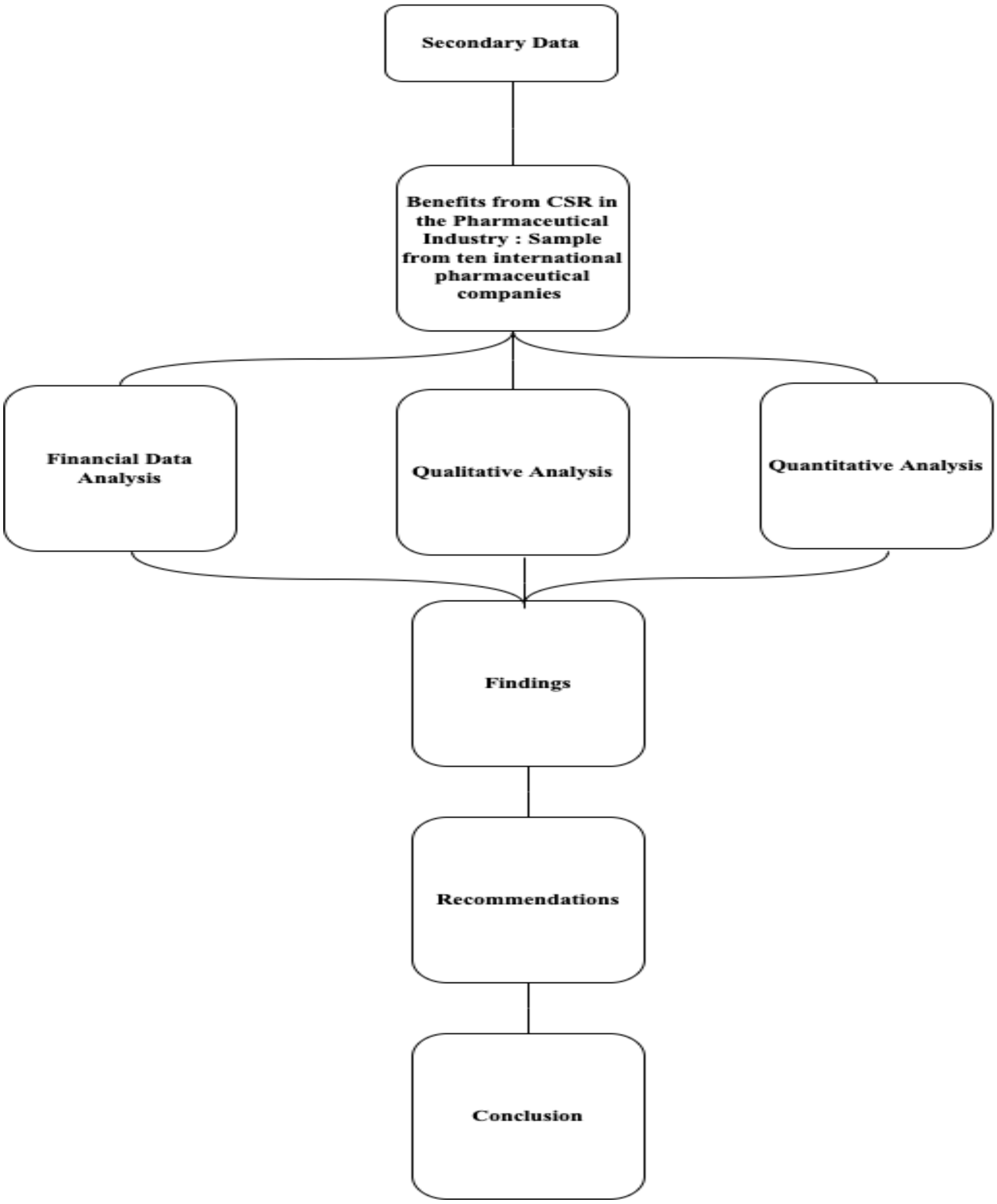
The research framework in Figure 2 shows the steps I followed in analyzing the research data to achieve the objectives of the master's thesis using qualitative and quantitative data. To analyze the benefits of CSR of pharmaceutical companies, I used the mixed methodology. Researchers refer to mixed methodology as the methodology that includes both qualitative and quantitative research methods (Tashakkori & Teddlie, 1998). Qualitative data were collected from CSR reports, while quantitative data were collected from financial reports. The data were analyzed using NVivo (qualitative data) and SPSS (quantitative data), respectively. To select the ten companies for the study, the convenient sampling method (i.e., non-probability sampling) was used, which allows researchers to collect data from the sample that is readily available to them.

The analysis of the research data consists of three main parts. In the first part, I present the analysis of financial data to determine the current financial position of the selected companies. Specifically, I analyzed the balance sheet and income statement of the companies and calculated the ratios, which is a common method to analyze financial data.

In the second part, I present the qualitative analysis, which includes the analysis of secondary qualitative data. The qualitative methodology is the one that provides detailed information that is not numerical in nature and is important for determining the frequency of certain characteristics (Suter, 2011). For the analysis of the qualitative data, I used content analysis to investigate what activities the selected companies perform and what are the main investments of the companies in the field of CSR. Content analysis will allow this research to build parameters so that larger data sets can be observed.

It has been criticized that qualitative analysis suffers from the risk of researcher bias (Mertens, 2004). Therefore, the quantitative methodology, which emphasizes objective measurements and statistical, mathematical, or numerical analysis of the collected data (Creswell, 2013), was used and presented in the last part. Using the quantitative methodology, I analyzed the relationship between CSR activities and one of the benefits of CSR, which is the benefit to financial performance. The financial parameters, as outlined in the hypotheses development section, refer to the correlation between CSR and the benefits for financial performance.

Figure 2: Conceptual framework of research



Source: Own work

4.2 Sample

I collected the data from the publicly available 2020 CSR reports of ten pharmaceutical companies that were selected for analysis in this research. I selected ten companies for analysis to obtain a variety of pharmaceutical companies engaged in CSR and a variety of CSR programs. The sample size of ten was chosen because not all pharmaceutical companies publish their CSR reports separately and therefore the study needed to focus on a limited number of companies. The sample included companies from different countries so that several countries were added represented. The reason for selecting ten companies as the sample size for the study is also due to limited resources and time to access, collect and analyze the data. To select the ten samples for the study, the convenient sampling method (i.e. non-probability sampling technique) was used, which allows the researchers to collect data from the sample that is easily accessible to them.

Table 1 shows some characteristics of each selected company such as the year of foundation, the headquarters country, the number of locations which shows how many offices in different places are from each company, the location of the pharmaceutical market where the company is active, the year from which the CSR reports are available for each company and the access to medicine index (AMI) which analysis 20 of the world's largest pharmaceutical companies and evaluates pharmaceutical companies in areas where they have the biggest potential and responsibility to make change (AMF,2021). In our case three of the selected companies are not part of the AMI.

Table 1: Characteristics of the companies included in the sample

Company	**Founded**	**Country**	**Number of locations**	**Market**	**CSR Reports Availability From (Year)**	**Access to Medicine Index**
AstraZeneca	1999	Great Britain	112	Worldwide	2000	7
Novartis AG	1996	Switzerland	186	Worldwide	2002	2
Novo Nordisk	1923	Denmark	96	Worldwide	2002	10
Bayer AG	1863	Germany	112	Worldwide	2004	13
CR-Pharma	1938	China	176	China	2014	-
BioNtech	2008	Germany	8	Worldwide	2019	-
Sun-Pharma	1983	India	100	Worldwide	2011	-
Daiichi-Sankyo	2005	Japan	33	Worldwide	2007	16
Abbvie	2013	USA	66	Worldwide	2018	17
Johnson&Johnson	1886	USA	66	Worldwide	2005	3

Source: Own work

4.3 Data analysis

4.3.1 Financial Data Analysis

4.3.1.1 Method and data collection

The financial data analysis has been performed using the financial information from income statement and balance sheet of ten pharmaceutical companies for the year of 2020. The financial data analysis includes ratio analysis in our case which is a tool that helps analyzing a company's financial statements in order to determine its strengths and weaknesses. Ratio analysis also provides indications that can be used to assess a company's profitability, liquidity, income, asset utilization, and liability exposure (Manoppo, 2015). For this analysis the return on equity (ROE) and return on asset (ROA) ratios were used. Moreover, the ratios for ROE and ROA are calculated to have better view of the companies' return as compare to the earning.
The financial data analysis is conducted for the selected ten pharmaceutical companies by extracting the most significant financial information that were needed to calculate ROE and ROA. The source of data for conducting the financial analysis is consisted of the annual reports of the companies which are publicly available for the stakeholders. Specifically, the data analyzed in this study is taken from the financial statements of the subjected companies including income statement and balance sheet.

4.3.1.2 Results

The financial analysis from Table 2 shows that the companies have mixed performance. Specifically, some of the companies are increasing their earnings quickly and with higher growth, while others are facing problems in earnings and sales growth. The main reason is the companies' investment in vaccination COVID -19. Novartis, for example, invests in vaccination COVID -19, so the growth of net profit increases, although the growth of sales is affected. This means that the company does not sell the vaccination COVID -19 but invests in CSR activities.

On the other hand, as shown in Table 2 the credit side of the financial statements of the companies shows that the pharmaceutical companies have higher liabilities in the form of current and non-current liabilities. It is found that the equity is lower for most of the companies except Sun Pharma. This means that the pharmaceutical industry is based on debt rather than equity. The capital of pharmaceutical companies is based on debt to a greater extent, resulting in a higher debt ratio. This shows that pharmaceutical companies are not very interested in sharing their ownership with external sources, nor are they willing to share their profitability. However, companies base their capital on debt for which they have to pay a fixed amount of interest to creditors after a certain period time. In addition, the book value of the shares is also given, which shows that the selected companies have a higher value in the market than the book value, indicating their success in the stock markets.

As shown in Table 2, the return on assets and return on equity are positive for all companies except Bayer, which has a negative value for both constructs. Mainly, the reason for Bayer for providing the adverse return on the assets (-12.25) and return equity (-39.99) consists of the fact that its sales growth (-4.93) and the net income growth (-745.75) are going downward in the observed year of 2020. In addition, the analyses show that the company's investment in CSR activities has remained lower, suggesting that the lower focus on CSR activities can have an impact on the company generating less income. As stated by Pirsch et al. (2006), CSR can act as a marketing tool for the company that has a direct impact on customers and investors. Customers like those companies that give back to the society in which they operate. In addition, customers know that the company they buy from is also making a positive contribution to society. Therefore, they prefer to buy from companies that are committed to the sustainable development of society. Investors are also aware that the sales of companies that are committed to sustainability are higher. So, they will focus on investing in such companies so that their return on their stock investment will also be higher (Pirsch et al., 2006).

According to financial analysis, there is a correlation between a company's financial performance and its commitment to CSR. Astra Zeneca, for example, has achieved impressive revenue growth, which COVID -19 is also expected to have an impact on. As 2020 was a time of crisis, Astra Zeneca responded quickly to support patients (community). Astra Zeneca has donated $12 million in medicines in the U.S. and $15 million in medicines and medical equipment to Haiti, El Salvador, and Myanmar to support COVID -19 (AstraZeneca, 2021). Along with other pharmaceutical companies such as Pfizer-BioNTech and Moderna, AstraZeneca's vaccine, developed in collaboration with Oxford College, has been hailed as groundbreaking. At 3$ to $4 per vaccine, AstraZeneca appears to be the most cost-effective vaccine (Dyer, 2021). The pledge made by AstraZeneca to keep prices low was just for the duration of the pandemic but the price will always remain affordable for everyone they declared ((Kemp, 2020). When the vaccine started to sell to governments and multilateral organizations those selling to countries with larger budgets started to see a return on their investment, whilst AstraZeneca, despite having the largest number of contracts, declared that the price will only be able to pay its costs (Palumbo, 2020). By the end of 2020, AstraZeneca sales increased by 12.58%, a year in which the company was recognized for its work on the coronavirus vaccine. The Anglo-Swedish pharmaceutical giant reported product sales of $21.52 billion last year. Quarterly product sales were the highest in many years, according to the company. Despite the significant impact of the pandemic, the company achieved double-digit sales growth. The pipeline's consistent success, the company's improving performance and the progress of the COVID -19 vaccine show what the company will achieve in 2020 (AstraZeneca, 2020).

Table 2. Financial Analysis

	AstraZeneca PLC (GBP)	Novartis (USD)	Novo Nordisk (USD)	Bayer (USD)	CR Pharmaceutical (HKD)	BioNtech (USD)	Sun Pharma (INR)	Daiichi-Sankyo (JPY)	Abbvie (USD)	Johnson& Johnson (USD)
Net Income	2.6 B	8.1 B	42 B	(10) B	3.3 B	100 M	31 B	80 B	4.2 B	15 B
Net Income Growth %	138	6.75	8.18	-745.75	0.33	Nill	-22.87	-41.15	-41.9	-2.68
Sales	21.52 B	45.67 B	126.95 B	41.40 B	200.42 B	549.84 M	334.98 B	962.52 B	45.80 B	82.57 B
Sales Growth %	12.58	-3.24	4.04	-4.93	-1.97	352	2.01	-1.96	37.69	0.56
EBITDA	5.91 B	16.22 B	59.4 B	3.46 B	10.91 B	-259.75	85.79 B	137.56 B	22.10 B	27.70 B
Cash and Short term Investments	5.85 B	7.61 B	35.39 B	4.32 B	59.37 B	2.77 B	105.45 B	550.05 B	12.25 B	31 B
Total Debt	14.91	32.02 B	13.75 B	41.77 B	81.56 B	332.27 M	17.83 B	163.65 B	80.72 B	33.93 B
Total Liabilities	37.38 B	59.96 B	107.97 B	85.28 B	149.73 B	6.40 B	165.92 B	798.5 B	135.28 B	108.96 B
Shareholders' Equity	11.43 B	52.96 B	66.11 B	31.10 B	48.66 B	10.10 B	495.36 B	1.31 T	13.55 B	70.27 B
Book Value per Share	8.71	23.67	29.1	31.66	7.75	41.63	206.45	684.62	7.66	26.69
ROA %	5.24	6.55	31.15	-12.25	1.65	0.93	4.24	3.62	3.8	8.85
ROE %	23.36	14.61	69.7	-39.99	7.56	1.55	6.33	5.89	185.81	23.97

B - Billion; M- Million; T-Trillion

Source: *Astra Zeneca (2020); Novartis (2020), Novo Nordisk (2020), Bayer (2020); CR Pharmaceutical (2020); BioNtech (2020); Sun Pharma (2020); Daiichi-Sankyo (2020); Abbvie (2020) & Johnson&Johnson (2020).*

4.3.2 Qualitative Analysis of CSR Activities

4.3.2.1 Method and data collection

In this research, the qualitative analysis highlights major areas of sustainability investment, statistics for sustainable activities and sustainability in the operations of the businesses. I have collected this information from the CSR and annual reports of the companies and presenting in the following sub-sections, the analysis for the qualitative information is performed in NVivo software. In their study of CSR, Lunenberg et al. (2016) also used content analysis and NVivo to determine fit between the CSR and parts of the entire CSR, such as tone and framing of the CSR activities. Specifically, the CSR activities are analyzed through the publicly available qualitative information that are presented in its raw form in sub-sections. The use of content analysis is highly valued and, in fact, touted as a methodology of comprehending business activities, not just CSR practices (Bowen, 2009). This analysis will show the CSR engagement of the pharmaceutical companies and to which activities they are engaged the most.

Below is a short summary of information of each CSR report from ten companies that have been included in the content analysis using NVivo:

- AstraZeneca Plc

First, AstraZeneca Plc is investing in three key areas related to sustainability: healthcare, environment, and ethics and transparency. In particular, it is launching an access program that will train more than 132,000 healthcare workers. In addition, more than 10 million people have been assisted through the Patient Assistant Program. Second, environmental protection has achieved a 60% reduction in carbon emissions since 2015. The company is also continuously listed in the CDP Index, a climate change and water security assessment tool. Specifically, water consumption has been reduced by 20% since 2015. Third, to promote gender equality, 46.9% of senior middle management positions are held by women (AstraZeneca, 2020).

- Novartis

By integrating environmental, social and governance (ESG) principles into the core of business strategy and operations, Novartis works to build trust in society and deliver long-term benefits to stakeholders. Collaborating with Molecular Partners on two potential COVID -19 antiviral therapies based on a new class of protein drugs. Providing 15 drugs free of charge to treat key COVID -19 symptoms in low- and lower-middle-income countries until a vaccine or curative therapy is available. Access initiatives have reached 66 million patients with commodities. In the 2020 Access to Medicines Index, 8 million people remained who received health information at educational events, ranking second.

New access to medicines targets were announced, as well as a sustainability bond tied to those targets. Over the past two decades, the company has supplied 980 million treatment units of the antimalarial to endemic countries. The new code of ethics, developed in collaboration with nearly 3,000 employees, includes 22 ethical commitments. Carbon emissions have decreased by 19 percent since 2016 (Scope 1 and 2), and the company has set a new goal to be fully carbon neutral across the value chain by 2030 (Novartis,2020).

- Novo Nordisk

In terms of accessibility, Novo has launched the Changing Diabetes in Children campaign. This initiative provides treatment and life-saving insulin to children with type 1 diabetes in more than 200 clinics in 18 low- and middle-income countries. Recently, Ghana, Indonesia, Pakistan and Peru were added to the program. More than 30,000 children and adolescents are receiving medical assistance, insulin and supplies through this initiative. The company's next goal is to expand the program to 100,000 people by 2030. With regard to the environment, the company has set itself the goal of reducing emissions caused by transportation and developing environmentally friendly products. The company aims to achieve zero environmental impact by 2045. In addition, the company promotes sustainable employer programs with diversity and inclusion at the core of its values (Novo Nordisk, 2020).

- Bayer

Bayer's strategy, operations and normative framework for managing the company's businesses are all focused on sustainability. The businesses promote sustainable development and thus have a positive impact on society, while providing the company with the opportunity to expand. The Group's commitment to sustainability is based on ethical business practices, with Bayer Societal Engagement (BASE) values playing an important role. The Group is advised on all sustainability issues by an independent, externally staffed Sustainability Council. In addition, environmental protection, climate protection and the reduction of greenhouse gas emissions are important priorities for Bayer. Climate change is expected to have an impact on the business areas of health care and agriculture, but the company also expects to be part of the solution (Bayer, 2020).

- CR Pharmaceutical

CR Pharmaceutical has built a comprehensive customer service system that ensures data security and user privacy while helping to protect the rights and interests of consumers. By ensuring the supply of medicines and medical equipment, the company hopes to support community health care and contribute to efforts to build a healthy China. The cultivation, development and collection of Chinese medicinal herbs pose challenges to operational capabilities as global climate change intensifies and extreme weather events become more frequent and intense. This will bring new hurdles to operations, such as shrinking medicinal materials and changing medicinal properties. In the face of these challenges, CR Pharmaceutical is reducing its impact on the environment by conserving energy, reducing emissions and controlling pollutants. To achieve peaceful coexistence with nature, CR pharma has also adopted a number of environmental protection measures, including the protection of plant species. CR Pharmaceutical is on its way to becoming a green company. For example, the company's waste has been reduced by 149.46 tons (CR Pharma, 2020).

- BioNtech

The work that BioNtech performs has an impact on the environment. Production processes, the operation of R&D laboratories, and planned major infrastructure and construction projects result in energy consumption, use of raw and auxiliary materials, and waste generation. The company will continue its current growth path in a Paris-oriented and environmentally sensitive manner, with the goal of becoming climate neutral by 2030. The Executive Board and the Supervisory Board work together for the benefit of BioNTech. They work toward the goal of long-term wealth creation while also considering the needs of shareholders, employees and other stakeholders. These principles require not only compliance with laws, but also ethically good and responsible behavior. As a corporate citizen, BioNTech has a responsibility. In this context, the essential theme of "Caring for Patients" is being researched and developed. The company strives to use and promote the skills of its employees in a targeted and effective manner through corporate volunteering initiatives in close cooperation with the business units. The company places great emphasis on managing community engagement in a way that is both sustainable and consistent with its business principles (BioNtech Pharma, 2020).

- Sun Pharma

Human values such as lifestyles, work and business practices, and the way we connect with each other around the world will change at an unprecedented pace. Through CSR initiatives, Sun Pharma Group will address the needs of the medical community, promote the health of patients and others, improve the quality of life, and create an environment where people can live in peace. Contribute to improving the quality of life of patients and others. Work to develop business values that are valued by all our stakeholders. To create an environment where all employees enjoy their work (Sun Pharma, 2020).

- Daiichi-Sankyo

As a global pharmaceutical company, the company views compliance practices as a means to maintain the trust of many stakeholders. It conducts its business with a high level of ethical awareness that considers not only internal standards but also social awareness, philosophy, and contribution to society, while complying with the laws and rules of the markets in which it operates. It has created the Daiichi Sankyo Group Corporate Conduct Charter ("Charter") and the Daiichi Sankyo Group Employee Code of Conduct ("ECC"), both of which are in effect in all business units. Daiichi Sankyo Company, Limited (the "Company") and other Japanese and overseas companies in the Daiichi Sankyo Group have developed standards of conduct based on the Charter and the ECC that are appropriate for their respective locations and social requirements. The company has developed the Environmental Protection Index and effectively improved its performance since 2014. It has achieved the highest scores of 119 for CO2 emissions, 143 for waste reduction, and 133 for water consumption reduction (Daiichi-Sankyo, 2020).

- Abbvie

Abbvie recognizes that caring for people and patients includes caring for the environment in which we all live. The company's duties as a scientific steward include protecting the environment. It is aware of the environmental risks associated with operating a global business and has therefore set ambitious, long-term environmental sustainability targets that include absolute reductions in carbon dioxide emissions, water use and waste generation, with a goal of zero waste to landfill at all sites. The company has set absolute reduction targets to reduce the amount of hazardous and non-hazardous waste generated, improve recycling rates, and achieve zero waste to landfill by 2035 (Abbvie, 2020).

- Johnson and Johnson

The sustainability approach at Johnson & Johnson entails creating social, environmental, and economic value for all Credo stakeholders, including patients, consumers, healthcare providers, and anyone else the company serves, employees, the communities in which it lives and works, business partners, investors, and society as a whole. The Health for Humanity 2025 Goals concentrate our citizenship and sustainability activities in areas where Johnson & Johnson feels it can have the most effect (Johnson and Johnson, 2020).

4.3.2.2 Results

In the current study, five main themes were developed for the CSR activities of all ten sample companies. Analysis of CSR reports shows that there were five main areas that were most frequently addressed in the reports and for which codes were developed. These include accessibility, environmental protection, ethics and transparency, human values, and value creation for COVID -19 cure, which are explained in the first column in Table 3 below. The second column in Table 3 provides a description or brief explanation of each code. The third column in Table 3 indicates how many files the data were taken from. Thus, as mentioned above, the data were collected for all companies in a single file and then entered into the NVivo software. Finally, the results column in Table 3 shows how many places the code information is available. Accessibility is included by three companies in their CSR activities. In addition, environmental protection is mentioned by eight, ethics and transparency by nine, human values by three, and value creation for COVID -19 Cure by only two of the companies.

Table 3: Qualitative Data Analysis (Coding performed using NVivo)

Code name	***Description***	***Files***	***Results***
Accessibility	Companies facilitating the people to access health institutions and medicine based on cost free projects	1	3
Environment Protection	The steps taken by the companies to protect the environment via carbon emission, waste and water usage reduction etc.	1	8
Ethics and Transparency	Positive attitude of the company towards its employees, patients and development of effective medicine	1	9
Human Values	Supporting the employees, their health, work-life balance and facilitating human beings through sustainable programs	1	3
Value Addition for COVID-19 Cure	Offering vaccination for the COVID-19 protection	1	2

Source: Own work

4.3.3 Quantitative Analysis

The quantitative analysis is carried out step by step according to the quantitative methodology approach, where all the necessary measures are carried out and presented in the following subsections. The objective of the quantitative analysis in this research study is to determine the benefits of the CSR activities carried out by the companies. One of the most important benefits of CSR engagement is the benefit to the financial performance of the company.

According to Minghui's (2018) study pharmaceutical companies, in particular, are easily discouraged from devoting strategic resources to CSR because they are primarily engaged in drug research and development and promotional activities. On the other hand, the quality of drugs and medicines is so closely linked to the health of people and society that pharmaceutical companies must continue to prioritize drug safety, which takes up a significant amount of resources. It is likely that too much emphasis on CSR issues will have a negative impact on corporate profits. Therefore, the motive for pharmaceutical companies to engage in CSR remains controversial. Previous research has not always reached the same conclusions about the relationship between CSR and financial performance (Minghui, 2018).

The purpose of this study is to investigate the relationship between CSR and corporate performance in the context of pharmaceutical companies

4.3.3.1 Method and data collection

Most of the pharmaceutical companies selected for this research are rated on their social responsibility by the Access to Medicine Foundation, a nonprofit organization. According to the Access to Medicine Foundation (2021) the index rates 20 of the world's largest pharmaceutical companies on a variety of factors, including fair pricing and research and development in neglected diseases. Of the 2020 pharmaceutical companies we selected in this survey, Novartis is the most conscious company, followed by Johnson & Johnson, AstraZeneca, Novo Nordisk, Bayer AG, Daiichi-Sankyo and Abbvie. The pharmaceutical companies that are not included in this ranking but are companies included in our sample are CR Pharma, BioNtech, and Sun Pharma (Access to Medicine Foundation, 2021).

All the data are collected from their financial and CSR annual reports. For this analysis we have used ROA and ROE indicators, as they are two commonly used accounting-based indicators for measuring CFP which are available for all the companies and comparable as well. The expected relationship between overall CSR (i.e., CSR to all stakeholders) and CFP assumes that satisfied stakeholders engage in behaviors associated with higher financial performance (Kacperczyk, 2009). According to Varenova, Samy, and Combs (2013), companies employ CSR initiatives to pursue their business interests, and perceive social responsibility to be a competitive advantage. Previous studies have also provided empirical evidence for the presumed positive relationship. Several meta-analyzes and large literature reviews have confirmed the positive relationship between CSR and CFP (Galant & Cadez, 2017).

It should be emphasized, however, that the logic of the competitive trade-off is often advocated in the literature. According to this logic, CSR is costly, so more CSR leads to lower financial performance. However, Waddock and Graves (1997) point out that such expenditures are insignificant compared to the benefits that CSR efforts can bring to a company. Despite these opposing viewpoints, the former theoretical argument was found to be more attractive.

Therefore, two regression models were developed to investigate the dependence between total CSR and ROA and total CSR and ROE. The purpose of the models is to estimate the effect of the independent or explanatory variable - CSR - on the dependent variables - ROA and ROE. Therefore, to investigate the relationship between CSR activities and financial performance, the following hypotheses were developed:

H_1: There is a positive relationship between CSR and ROA of pharmaceutical companies.

H0: There is a negative relationship between CSR and ROA of the pharmaceutical companies.

H_2: There is a positive relationship between CSR and ROE of pharmaceutical companies

H_0: There is a negative relationship between CSR and ROE of the pharmaceutical companies.

After developing the hypothesis, the variables of the study were defined along with the proxies such as ROA and ROE which are used in the current research. Mainly, the two main variables of this study are CSR and financial performance. CSR is the independent variable which is measured through the adoption of the dummy variable where the companies publishing their sustainability reports publicly are considered more CSR conscious and coded with number 1 while the companies having no sustainability reports are considered lower CSR conscious companies and provided with number 0.

Furthermore, the proxies for the financial performance of the companies are considered in form of ROA and ROE which have been previously calculated and presented in Table 2. The calculation of ROA is presented in the equation (1) below:

$$ROA = \frac{\text{Net Income}}{Total\ Assets} \text{ x } 100 \tag{1}$$

The calculation of the ROE is also calculated using a formula given in the equation (2) below and the data for both the formulas are taken from the financial statements of respected companies included in the sample of this study.

$$ROE = \frac{\text{Net Income}}{Shareholder's\ Equity} \text{ x } 100 \tag{2}$$

In this study, I developed two main models to conduct the regression analysis. The general model (3) of the study is provided below:

$$Y = \beta_0 + \beta_n X_n + \varepsilon \tag{3}$$

Y presents the dependent variable, β_0 is the slop of the model, β_n is the beta of the CSR - independent variable while CSR_{10} is the independent variable and ε is depicting the error of the model. Specifically, the se models are presented in the following sections along with the results of regression for their analysis conducted in SPSS software.

Model # 1: Impact of CSR on ROA

$$ROA = \beta_0 + \beta_n\, CSR_n + \varepsilon \quad (4)$$

The values in the equation (4) above are replaced with the actual variables of the study.

Model # 2: Impact of CSR on ROE

$$ROE = \beta_0 + \beta_n\, CSR_n + \varepsilon \quad (5)$$

In the second model (5), the dependent variable is considered to be the return on equity while the independent model remains the same.

4.3.3.2 Results

In what follows, I present the empirical findings regarding the hypotheses, showing results from the linear regression analyses, correlation statistics, and analysis of variance (ANOVA) tests. The first model, the relationship between CSR and ROA is used for the regression analysis in the SPSS and the outcomes are provided in the following tables. The Table 4 is providing the model summary where the value of R-square is depicting that variation produced by the CSR as the independent variables in the model is 0.356. This reveals that 35.6 % of the total variation in the dependent variable, ROA, can be explained by the independent variable, CSR.

Table 4: Model Summary - The relationship between CSR and ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.596[a]	.356	.275	9.10429

a. Predictors: (Constant), CSR

Source: Own work

Table 5 shows the overall significance of the model. It shows that the model is significant and the P value is 0.029, which is below the guideline value of 0.05 to be statistically significant.

Table 5: ANOVA Results - The relationship between CSR and ROA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	365.844	1	365.844	4.414	.029[a]
	Residual	663.105	8	82.888		
	Total	1028.948	9			

a. *Predictors: (Constant), CSR*
b. *Dependent Variable: ROA*

Source: Own work

Table 6 shows the coefficients, where the beta value is positive and is 0.121, which means that for every one unit increase in CSR activities, 0.121-unit will increase in ROA. The relationship between CSR and ROA is also found to be statistically significant as the value of p is 0.029. Therefore, there is enough evidence to reject the null hypothesis and conclude that there is a positive relationship between CSR and ROA.

Table 6: Coefficients - The relationship between CSR and ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.475	6.438		2.714	.026
	CSR	.121	7.198	.596	2.101	.029

a. Dependent Variable: ROA

Source: Own work

The outcomes for the second model testing the impact of CSR on ROE as shown in Table 7 are providing that the impact is stronger for ROE regarding the relationship with CSR as the model summary is showing a variation of 0.714 which is higher than it was in our previous model. [AD1] This reveals that 70% of the data fit the regression model. In other words, it presents the proportion of the variance of the regression model that can be explained by CSR. The significance of the model is at a 99% confidence interval.

The Beta values in the coefficient Table 7 are also higher, being positive and 0.845. This means that for every one unit increase in CSR activities, 0.845-unit will increase in ROE.

Table 7: Model Summary - The relationship between CSR and ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845[a]	.714	.679	34.59379

a. Predictors: (Constant), CSR

Source: Own work

Moreover, the relationship between CSR and ROE is also significant as per the P-value which is 0.002. The results as seen on the Table 8 and 9 below are indicating that there is enough evidence to reject the null hypothesis, which was nullifying the relationship of CSR and ROE.

Table 8: ANOVA Results - The relationship between CSR and ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23949.278	1	23949.278	20.012	.002[a]
	Residual	9573.841	8	1196.730		
	Total	33523.119	9			

a. Predictors: (Constant), CSR

b. Dependent Variable: ROE

Source: Own work

Table 9: Coefficients - The relationship between CSR and ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	127.755	24.462		5.223	.001
	CSR	.845	27.349	.845	4.474	.002

a. *Dependent Variable: ROE*

Source: Own work

4.4 Discussion

The review of the existing literature and the empirical part of the master's thesis revealed some interesting findings regarding the benefits of corporate social responsibility in the pharmaceutical industry. Based on a qualitative analysis, I provided an overview of the sustainable activities of each of the companies included in the analysis and was able to highlight the most important areas of sustainability investment. I identified five main CSR areas, which were then further analyzed. The main area almost all companies are engaged in based on their CSR reporting is Ethics and Transparency, showing how important the company's attitude towards employees, patients, and the development of effective medicine is. The second most engaged CSR area is Environment Protection which presents the steps taken by the company to protect the environment such as carbon emission, water, water usage reduction, etc. Accessibility and Human Values have shown the same results and Value Addition for COVID-19 Cure was the last area of investment to be reported from the companies selected.

On the other hand, the results of the quantitative analysis show that there is a positive and significant relationship between CSR and corporate financial performance. The results of this research suggest that investments in CSR can have a positive impact on firm value for pharmaceutical companies. The companies included in the sample are from different countries hence representing different markets of the world. CSR is a useful resource for organizations, customers, shareholders, employees, and other stakeholders (Russell, 2018), so they should be aware of a company's CSR efforts, which are highlighted in the current study. Theoretical implications of this study include filling gaps in the literature by providing results on the positive relationship between CSR and financial performance in the pharmaceutical industry in several countries. In addition, the study's results provide empirical support for the relationship between CSR and financial performance. In both models, the relationship between CSR and ROA and the relationship between CSR and

ROE are statistically significant and had enough evidence to reject both null hypothesis which were stating that there is a negative relationship between CSR and ROA/ROE. Best to my knowledge, CSR largely research ignores ROA, as well as the concept and practice of CSR. However, the finding that the relationship between CSR and ROA is positive can serve as valuable information for potential new investors. Therefore, investigating the impact of investor-related factors on CSR perceptions may provide further insights.
The limitations of the study are based on the limited availability of data. Most pharmaceutical companies do not provide CSR reports separately, so the study has to focus on a limited number of companies. In addition, due to time and cost constraints, I was only able to focus on ten companies. In terms of explanatory variables, it would be beneficial to include other factors that might affect financial performance, such as investment in research and development, sectoral influence, or even dividend payout. In addition, due to a measurement flaw in CSR, it has been compelled to be seen as an indicator variable that is dependent on corporate governance. As a result, the release of CSR reports may not be the most accurate indicator of CSR. Because of the smaller sample size and the limited number of research periods, I was unable to control individual effects and must rely on random effects models. As long as future recommendations are a concern, I suggest that expansion in the data should be performed by including some more countries. Besides that, a few other variables could also be introduced in the model like the economic stability of the countries from where the companies are taken. Moreover, the methodology adopted in the current research is explained effectively so that future researchers can easily replicate the study. However, it is recommended that they should add other research variables as well such as the size of the companies could be a moderator to this relationship.

5 CONCLUSION

The pharmaceutical industry is a very complex and sensitive area that is often required and pressured by society to act responsibly (Leisinger, 2005). The importance of CSR in the pharmaceutical industry differs in importance since it produces pharmaceuticals, the most important product for human well-being (Nussbaum & Sascha, 2009). Even today, in the context of COVID-19, everyone understands the well-being of human life and the importance of developing new drugs, which also requires accountability, responsibility, transparency, or CSR. Literature suggests that although CSR activities are widespread in the pharmaceutical industry, there is still little empirical evidence of the relationship between CSR and financial performance.

Therefore, the master's thesis aimed to provide a comprehensive understanding of the benefits of corporate social responsibility in the pharmaceutical industry. Also, the need of implementing CSR practices as well as the different CSR programs pharmaceutical companies are engaged in.

The results from the qualitative analysis conducted have shown that from the companies selected for this research, three companies have engaged in Accessibility, eight of them in Environmental Protection, nine of them in Ethics and Transparency, three of them to Human Values, and two of them to the Value Addition for COVID-19 cure CSR programs.

Moreover, the quantitative analysis results show that there is a positive and significant relationship between CSR and the financial performance of pharmaceutical companies. This assures pharmaceutical companies that the investment in CSR is indeed an investment in the company's goodwill. In addition, the evidence of ROA and ROE also suggests the positive effect of CSR in the minds of investors, so they would feel more comfortable investing in pharmaceutical companies.

In addition, this positive relationship could also be even more insightful because the companies were selected from different countries, representing different markets of the world, which focuses on the fact that CSR is more suitable for both marketing and investment purposes. CSR is a useful resource for companies, customers, shareholders, employees, and other stakeholders.

Therefore, they should be aware of a company's CSR efforts, which are highlighted in the current study.

Hence, the conclusions of this study should be a good starting point for business leaders to make strategic CSR decisions and focus their resources on areas that will benefit their organizations. The results showing the positive relationships between CSR and ROA/ROE will also provide managers with reasons to shift their focus away from activities they may now be involved in that do not benefit their organizations. Because our research suggests that CSR can add value to business performance, top management must support such a program for it to be sustainable. CSR initiatives should not be limited to large companies.

Furthermore, the results of this study show that CSR initiatives are beneficial in companies of all sizes. However, if a company's executives do not embrace a CSR program, if it is not linked to the company's goals, or if the company is unable to integrate it into employees' daily work, CSR will be less effective than in organizations where do. According to the findings of this study, management should view CSR initiatives as an investment from which the company can derive long-term benefits. Companies could examine capital projects from a CSR perspective. Currently, controversy rages over whether investments in environmental and other sustainability initiatives should qualify for a "social discount." The primary goal of pharmaceutical companies is to develop treatments that help people live longer and healthier lives. A closer look at their principles reveals that prominent pharmaceutical companies have adopted or are attempting to adopt the stakeholder theory.

Consequently, pharmaceutical companies should emphasize their economic, social, and environmental contributions when communicating their value proposition with stakeholders. It is also clear that CSR has become an unavoidable concern for corporate executives around the world. CSR is currently being debated and discussed in corporate boardrooms. Pharmaceutical companies are now trying to incorporate CSR into their corporate culture. Companies just starting their programs should get involved immediately, and mature programs should seek to continually improve.

This master thesis underscores the growing importance of corporate social responsibility in multinational pharmaceutical companies and, by extension, in the healthcare sector of low- and middle-income countries. While the UN recommends that CSR offers significant potential for governments in middle- and low-income countries to change the conditions under which they interact with industry and to leverage more resources through collaboration, public health is still learning how. In addition, many of the characteristics identified in this study appear to be preventing big pharma from leveraging its resources and will to improve the health of underserved populations.

It is concluded that three critical initiatives need to be implemented to foster communication between CSR departments of large companies and citizens concerned about public health in low- and middle-income countries. First, more precise definitions of the many terms used in this industry, such as philanthropy, CSR, and CSV, are needed. Pharmaceutical companies claim that misunderstanding these terms calls into question their CSR activities and goals, although there is little doubt that confusion exists within the industry. Second, current indicators tracking the emergence, implementation, and outcomes of CSR efforts in the pharmaceutical industry should be strengthened. Of the current indicators, the access to medicines index is the most closely aligned with public health interests, but it requires more effort to raise awareness, promote openness, and ensure that indicators truly represent existing goals and concerns.

Finally, as noted above, this exploratory study has suggested several other avenues of inquiry, most of which would require national-level studies to assess how specific CSR programs are linked to country health systems and what benefits they have had. Clearly, given the increasing importance of CSR, the global health community would be well advised to invest more in understanding this important discipline.

Overall, this research concludes that pharmaceutical companies are expected to be morally responsible because, in some cases, they produce life-saving drugs at low cost, benefit from public and government support in the form of patent protection, college research, and charities, can share their intellectual property rights to enable the production of generic drugs, and earn large profit margins. The environmental impact of processing and the far-reaching social and economic consequences of product distribution is among the ethical considerations in this business. The company has been reprimanded for a lack of openness in research ethics. This includes animal testing and clinical trials in poor countries, raising concerns about the exploitation of low-income families.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Svet se že več desetletij bolj osredotoča na socialne in trajnostne vidike, ljudje pa se vse bolj zavzemajo za boljše okolje in družbene vrednote, ki lahko prinesejo zdrave in pozitivne rezultate za družbo. Podjetja se danes zavedajo, da njihove dejavnosti lahko vplivajo ne le na njihove deležnike, temveč tudi na okolje in družbo. Zato je družbena odgovornost podjetij postala del osnovnega poslovanja, ki ustvarja skupno vrednost za podjetja in družbo. Vpliv družbene odgovornosti podjetij in koristi, ki jih imajo farmacevtska podjetja od takšnih dejavnosti, so v središču pozornosti te diplomske naloge. Farmacevtska industrija je zelo kompleksno in občutljivo področje, od katerega družba pogosto zahteva odgovorno ravnanje in pritiska nanj. Pomen družbene odgovornosti podjetij v farmacevtski industriji je drugačen, saj ta proizvaja zdravila, ki so najpomembnejši izdelek za dobro počutje ljudi. Tudi danes v okviru COVID-19 vsi razumejo dobrobit človeškega življenja in pomen razvoja novih zdravil, kar zahteva tudi odgovornost, odgovornost, preglednost ali družbeno odgovornost podjetij. Ker je empiričnih dokazov o odzivih potrošnikov na prakse družbene odgovornosti podjetij v farmacevtski industriji malo, je namen tega magistrskega dela zagotoviti celovito razumevanje koristi družbene odgovornosti podjetij v farmacevtski industriji z analizo objavljenih poročil o družbeni odgovornosti podjetij na vzorcu desetih mednarodnih farmacevtskih podjetij, ki delujejo na različnih tržnih lokacijah. V magistrski nalogi bodo poudarjene koristi vključevanja farmacevtske industrije v strategije družbene odgovornosti podjetij. Literatura kaže, da čeprav so dejavnosti družbene odgovornosti podjetij v farmacevtski industriji zelo razširjene, je še vedno malo empiričnih dokazov o povezavi med družbeno odgovornostjo podjetij in finančno uspešnostjo. Zato je bil cilj magistrske naloge zagotoviti celovito razumevanje koristi družbene odgovornosti podjetij v farmacevtski industriji. Prav tako potrebo po izvajanju praks družbene odgovornosti podjetij ter različne programe družbene odgovornosti podjetij, v katere so vključena farmacevtska podjetja. Rezultati opravljene kvalitativne analize so pokazali, da so od podjetij, izbranih za to raziskavo, tri podjetja vključena v program Dostopnost, osem podjetij v program Varstvo okolja, devet podjetij v program Etika in transparentnost, tri podjetja v program Človeške vrednote, dve podjetji pa v program Dodana vrednost za zdravljenje COVID-19 družbene odgovornosti. Poleg tega rezultati kvantitativne analize kažejo, da obstaja pozitivna in pomembna povezava med družbeno odgovornostjo podjetij in finančno uspešnostjo farmacevtskih podjetij. To farmacevtskim podjetjem zagotavlja, da je naložba v družbeno odgovornost podjetij dejansko naložba v dobro ime podjetja. Poleg tega tudi dokazi o donosnosti kapitala in donosnosti lastniškega kapitala kažejo na pozitiven učinek družbene odgovornosti podjetij v zavesti vlagateljev, zato bi se ti počutili bolj udobno pri vlaganju v farmacevtska podjetja.