

## Corporate Governance Mechanisms and Worker Exploitation: Examining the Role of Oversight, Accountability, and Human Rights under Pakistani Laws

☆*Karamdad Bughio*

Lawyer, Mentee, Legal & IR, Pakistan State Oil Co. Ltd.  
(advkaramdad786@gmail.com)

☆☆*Abdul Ghaffar Khokhar*

Advocate High Court, Assistant Manager Legal & Admin, Phoenix Armour (Pvt.) Ltd.  
(a.ghaffarkt@gmail.com)

☆☆☆*Farman Ali*

Advocate & Attorney, Based in Karachi-Pakistan. (farmanali43102@gmail.com)

### *Abstract*

This article examines the intricate dynamics of corporate governance mechanisms and worker exploitation within the context of Pakistani laws. It delves into the importance of corporate governance in upholding transparency and accountability, juxtaposed against the persistent issue of worker exploitation, encompassing labor rights violations and unsafe working conditions. Through an overview of Pakistani laws and corporate governance frameworks, the article highlights the regulatory landscape governing corporate conduct and human rights protections. Furthermore, it explores the role of international standards and guidelines, such as the Universal Declaration of Human Rights and International Labor Organization conventions, in setting a framework for promoting and safeguarding human rights, including labor rights. The challenges in implementing effective governance mechanisms, such as enforcement issues and cultural barriers, are discussed, alongside recommendations for improvement, including strengthening legal frameworks and promoting ethical corporate culture. Ultimately, the article issues a call to action for ensuring worker rights and corporate accountability under Pakistani laws, emphasizing the need for strengthened enforcement mechanisms, promotion of ethical corporate culture, empowerment of workers, and engagement of stakeholders. Through collective efforts, it advocates for a more just, equitable, and sustainable society where worker rights are upheld, and corporate accountability is ensured.

**Keywords:** Corporate governance, worker exploitation, Pakistani laws, human rights protections, enforcement mechanisms.

### **I. Introduction**

Corporate governance serves as the cornerstone of modern business operations, embodying principles that ensure transparency, accountability, and ethical conduct within organizations. Its importance cannot be overstated, as it establishes the framework for decision-making processes, delineates responsibilities among stakeholders, and safeguards the interests of shareholders, employees, and other stakeholders. At its core, corporate governance seeks to foster trust and confidence in business entities by promoting integrity, fairness, and compliance with applicable laws and regulations.

In today's complex global economy, characterized by rapid technological advancements and interconnected financial markets, effective corporate governance is essential for maintaining market stability and sustainability. It provides investors with assurance that their investments are being managed prudently and ethically, thereby attracting capital and facilitating economic growth. Moreover, sound corporate governance practices contribute to organizational resilience, enabling companies to navigate challenges and seize opportunities

in an ever-changing business landscape.

Beneath the surface of corporate governance lies a troubling reality: worker exploitation remains a persistent and pervasive issue in many industries worldwide. Despite advancements in labor rights and increased awareness of social responsibility, countless workers continue to endure exploitation, ranging from unfair wages and unsafe working conditions to forced labor and human trafficking. This stark juxtaposition underscores the urgent need to examine the intersection of corporate governance mechanisms and worker rights, particularly within the context of Pakistani laws and regulations.

## II. Worker Exploitation: A Persistent Issue

Worker exploitation represents a dark underbelly of the global economy, fueled by profit-driven motives and structural inequalities. Across industries such as manufacturing, agriculture, hospitality, and construction, vulnerable workers are often subjected to egregious violations of their basic rights and dignity. These abuses manifest in various forms, including but not limited to: wage theft, excessive working hours, lack of occupational health and safety protections, and discrimination based on gender, ethnicity, or migrant status.<sup>1</sup>

In Pakistan, worker exploitation remains a persistent issue with many laborers facing long hours, low wages, and unsafe working conditions. Despite labor laws aimed at protecting workers' rights, enforcement remains lax, leaving many vulnerable to exploitation by employers. The informal sector, which employs a significant portion of the workforce, often operates outside regulatory oversight, exacerbating the problem. Efforts to address worker exploitation include advocacy for stronger labor protections, increased oversight of workplaces, and initiatives to empower workers to assert their rights. However, systemic challenges and entrenched practices continue to hinder progress toward ensuring fair and dignified working conditions for all in Pakistan.<sup>2</sup>

Despite international efforts to combat worker exploitation through conventions, treaties, and corporate social responsibility initiatives, significant challenges persist. One of the primary obstacles is the prevalence of informal labor markets, where regulatory oversight is weak, and labor rights are routinely disregarded. Moreover, entrenched power dynamics within supply chains and subcontracting arrangements often perpetuate exploitative practices, making it difficult to hold accountable those responsible for labor violations.<sup>3</sup>

In the context of Pakistan, worker exploitation is a multifaceted issue shaped by socio-economic factors, political dynamics, and cultural norms. The country's large informal sector, comprising a substantial portion of the workforce, remains particularly vulnerable to exploitation due to limited legal protections and enforcement mechanisms. Moreover, persistent challenges such as poverty, illiteracy, and corruption exacerbate the vulnerabilities of marginalized workers, leaving them susceptible to abuse by unscrupulous employers.<sup>4</sup>

## III. Overview of Pakistani Laws and Corporate Governance Framework

In response to these challenges, Pakistan has enacted various laws and regulations aimed at promoting corporate governance and protecting worker rights. The Securities and Exchange Commission of Pakistan (SECP) plays a pivotal role in overseeing corporate governance

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<sup>1</sup> Zwolinski, Matt. "Structural exploitation." *Social Philosophy and Policy* 29, no. 1 (2012): 154-179.

<sup>2</sup> Shahid, Ayesha. "Silent voices, untold stories: women domestic workers in Pakistan and their struggle for empowerment." PhD diss., University of Warwick, 2007.

<sup>3</sup> Ibid 3

<sup>4</sup> Arslan, Muhammad. "Mechanisms of labour exploitation: the case of Pakistan." *International Journal of Law and Management* 62, no. 1 (2020): 1-21.

practices among listed companies, ensuring compliance with regulatory requirements and promoting transparency and accountability. Additionally, labor laws such as the Factories Act, 1934, and the Employment of Children Act, 1991, establish minimum standards for workplace conditions and prohibit child labor, respectively.<sup>5</sup>

However, despite the existence of legal frameworks, implementation and enforcement remain key challenges. Limited resources, institutional capacity constraints, and bureaucratic inefficiencies often hinder the effective enforcement of labor laws, allowing exploitative practices to persist with impunity. Moreover, gaps in coverage and enforcement mechanisms leave informal sector workers particularly vulnerable to exploitation, as they lack the protections afforded to formal sector employees.<sup>6</sup>

In light of these challenges, there is a pressing need to strengthen the regulatory framework, enhance enforcement mechanisms, and promote greater transparency and accountability within corporate entities. By aligning corporate governance practices with international standards and best practices, Pakistan can foster a culture of responsible business conduct, uphold worker rights, and contribute to sustainable economic development.<sup>7</sup>

## A. Board of Directors

The board of directors represents the apex of corporate governance structures, entrusted with the responsibility of overseeing the strategic direction, management, and performance of a company. Composed of individuals bearing the eligibility, the board serves as a fiduciary body that acts in the best interests of the company and its stakeholders. Directors may be appointed through various methods, including election by shareholders, appointment by the Board of Directors through a special resolution, and by order of the Court.<sup>8</sup> The composition of the board is critical, as it should comprise diverse individuals with varied expertise, backgrounds, and perspectives to effectively fulfill its oversight role.<sup>9</sup>

### 1. Composition and Responsibilities:

The composition of the board is guided by principles of independence, diversity, and competence. Ideally, it should include a mix of executive and non-executive directors, with the latter constituting a majority to ensure objective oversight.<sup>10</sup> Non-executive directors bring valuable external perspectives and provide checks and balances to executive decision-making, thereby mitigating conflicts of interest and enhancing board effectiveness.<sup>11</sup>

The responsibilities of the board encompass a broad spectrum of functions, including but not

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<sup>5</sup> Javid, Attiya Y., and Robina Iqbal. "Corporate governance in Pakistan: Corporate valuation, ownership and financing." (2010).

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> Khetan, Shruti, and Varsha Maria Koshy. "Appointment of independent directors in Pakistan: A critique." *Business Law Review* 43, no. 2 (2022).

<sup>9</sup> Rediker, Kenneth J., and Anju Seth. "Boards of directors and substitution effects of alternative governance mechanisms." *Strategic management journal* 16, no. 2 (1995): 85-99.

<sup>10</sup> Useem, Michael, and Andy Zelleke. "Oversight and delegation in corporate governance: Deciding what the board should decide." *Corporate Governance: An International Review* 14, no. 1 (2006): 2-12.

<sup>11</sup> Di Vito, Jackie, and Kim Trottier. "A literature review on corporate governance mechanisms: past, present, and future." *Accounting Perspectives* 21, no. 2 (2022): 207-235.

limited to:

1. Setting the company's strategic objectives and long-term vision.
2. Appointing and monitoring the performance of senior management, including the CEO.
3. Overseeing risk management processes and ensuring compliance with legal and regulatory requirements.
4. Safeguarding the interests of shareholders and other stakeholders, such as employees, customers, and the broader community.
5. Evaluating the company's financial performance, including reviewing financial statements and approving budgets and major investments.
6. Establishing corporate governance policies and practices to promote transparency, accountability, and ethical conduct.

## 2. Oversight of Corporate Practices:

Central to the board's role is its oversight function, which entails monitoring and evaluating the company's operations, performance, and adherence to established policies and procedures. Through regular meetings, committees, and interactions with management, the board assesses key areas of corporate activity, including strategic planning, risk management, internal controls, and compliance with legal and ethical standards.<sup>12</sup>

Effective oversight requires robust reporting mechanisms, clear communication channels, and access to relevant information to enable informed decision-making. Boards may establish specialized committees, such as audit, risk, and compensation committees, to delve deeper into specific areas of concern and provide expert advice and recommendations to the full board.<sup>13</sup>

Moreover, the board should cultivate a culture of accountability and transparency within the organization, fostering open dialogue and constructive engagement with shareholders, employees, and other stakeholders. By holding management accountable for their actions and decisions, the board helps instill confidence in the company's governance practices and reinforces its commitment to ethical conduct and long-term sustainability.<sup>11</sup>

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In summary, the board of directors plays a pivotal role in corporate governance, serving as the linchpin of oversight, accountability, and strategic direction. Through effective composition, responsibilities, and oversight mechanisms, boards can enhance organizational performance, mitigate risks, and safeguard the interests of all stakeholders.

## II. Corporate Governance Mechanisms

### B. Internal Controls and Policies

Internal controls and policies form the backbone of corporate governance, providing guidelines and frameworks for ethical conduct, risk management, and compliance with

<sup>12</sup> Brennan, Niamh M., and Jill Solomon. "Corporate governance, accountability and mechanisms of accountability: an overview." *Accounting, Auditing & Accountability Journal* 21, no. 7 (2008): 885-906.

<sup>13</sup> Ibid

<sup>14</sup> Ibid

legal and regulatory requirements. These mechanisms are designed to promote transparency, accountability, and integrity within organizations, fostering a culture of responsible behavior among employees and executives alike.<sup>15</sup>

### **1. Ethical Codes of Conduct:**

Ethical codes of conduct serve as guiding principles that articulate the values, norms, and behavioral expectations governing employee conduct within an organization. These codes typically outline and uphold fundamental ethical standards and practices to protect the human rights and mitigate the worker exploitation.<sup>16</sup>

Key components of ethical codes of conduct may include:

1. Prohibitions against conflicts of interest, insider trading, bribery, and other forms of unethical behavior.
2. Standards for employee conduct in areas such as interactions with customers, suppliers, and competitors.
3. Procedures for reporting ethical violations, including whistleblower protections and mechanisms for confidential reporting.
4. Training and awareness programs to educate employees about ethical standards and promote a culture of ethical behavior throughout the organization.<sup>17</sup>

### **2. Compliance Mechanisms:**

Compliance mechanisms encompass policies, procedures, and processes designed to ensure adherence to applicable laws, regulations, and internal policies. These mechanisms are essential for identifying, assessing, and mitigating legal and regulatory risks, as well as for detecting and preventing violations of laws and regulations.<sup>18</sup> Effective compliance mechanisms require strong leadership commitment, adequate resources, and a culture of accountability throughout the organization. By proactively addressing legal and regulatory risks and promoting a culture of compliance, organizations can minimize the likelihood of legal disputes, regulatory sanctions, and reputational harm, thereby safeguarding their long-term viability and sustainability.

Key components of compliance mechanisms may include:

1. Risk assessments to identify potential legal and regulatory risks associated with the organization's activities and operations.
2. Development and implementation of policies and procedures to address identified risks and ensure compliance with relevant laws and regulations.
3. Monitoring and oversight mechanisms to track compliance with internal policies and external regulations, including regular audits, reviews, and assessments.
4. Training and education programs to raise awareness among employees about legal and regulatory requirements and their responsibilities for compliance.

## **II. Corporate Governance Mechanisms**

### **C. External Oversight Bodies**

<sup>15</sup> Almashhadani, Mohammed, Hasan Ahmed Almashhadani, and H. A. Almashhadani. "Corporate Governance as an Internal Control Mechanism and its Impact on Corporate Performance." *International Journal of Business and Management Invention* 11, no. 8 (2022): 53-59.

<sup>16</sup> Rodriguez-Dominguez, Luis, Isabel Gallego-Alvarez, and Isabel Maria Garcia-Sanchez. "Corporate governance and codes of ethics." *Journal of Business Ethics* 90 (2009): 187-202.

<sup>17</sup> Ibid

<sup>18</sup> Griffith, Sean J. "Corporate governance in an era of compliance." *Wm. & Mary L. Rev.* 57 (2015): 2075.



External oversight bodies play a crucial role in ensuring transparency, accountability, and compliance with legal and regulatory requirements within organizations. These entities, which operate independently of the company, provide oversight and scrutiny of corporate activities, thereby enhancing investor confidence, protecting stakeholders' interests, and promoting market integrity.<sup>19</sup>

One example of an entity in Pakistan with a mandate for external oversight is the Securities and Exchange Commission of Pakistan (SECP). The SECP is the regulatory body responsible for overseeing the securities and capital markets in Pakistan. It operates independently of the companies it regulates and is tasked with ensuring transparency, accountability, and compliance with legal and regulatory requirements within the securities industry.

The SECP plays a crucial role in promoting market integrity by enforcing regulations related to disclosure, transparency, and corporate governance. It monitors the activities of listed companies, securities brokers, investment advisers, and other market participants to prevent fraud, manipulation, and other unethical practices. Through its oversight functions, the SECP aims to protect investors' interests, maintain the integrity of the securities market, and foster investor confidence in Pakistan's capital markets.

### **1.Regulatory Authorities:**

Regulatory authorities are government agencies responsible for enforcing laws and regulations governing corporate conduct and financial markets. In Pakistan, regulatory authorities such as the Securities and Exchange Commission of Pakistan (SECP) oversee the securities industry, regulate listed companies, and promote investor protection and market integrity.<sup>20</sup>

Key functions of regulatory authorities include:<sup>21</sup>

1. Enforcing securities laws and regulations to prevent fraud, market manipulation, and other abuses.
2. Registering and regulating public companies, including oversight of disclosure requirements and financial reporting standards.
3. Conducting investigations and enforcement actions to address violations of securities laws and protect investors' interests.
4. Promoting investor education and awareness to empower investors to make informed decisions and protect their rights

Regulatory authorities play a critical role in promoting transparency, integrity, and accountability in corporate governance by enforcing regulatory standards, monitoring compliance, and imposing sanctions for violations. Their oversight helps maintain market confidence, protect investors, and uphold the integrity of the financial system.

### **1.Independent Auditors:**

Independent auditors are external professionals or firms tasked with examining and validating the financial statements and accounting records of companies to provide assurance

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<sup>19</sup> Aguilera, Ruth V., Kurt Desender, Michael K. Bednar, and Jun Ho Lee. "Connecting the dots: Bringing external corporate governance into the corporate governance puzzle." *Academy of Management Annals* 9, no. 1 (2015): 483-573.

<sup>20</sup> Keay, Andrew. "Comply or explain in corporate governance codes: in need of greater regulatory oversight?." *Legal Studies* 34, no. 2 (2014): 279-304.

<sup>21</sup> Ibid

about their expenditure on safety of workers, exploitation on workers in terms of wages payment, labour costs<sup>22</sup> and compliance with accounting principles and standards. Auditors operate independently of the company and its management, enhancing the credibility and reliability of financial information provided to investors and other stakeholders.<sup>23</sup>

Key responsibilities of independent auditors include:

1. Conducting audits of financial statements to assess their fairness, accuracy, and compliance with accounting standards and regulatory requirements.
2. Performing tests of internal controls to evaluate the effectiveness of internal control systems in preventing and detecting financial misstatements and fraud.
3. Reporting findings and opinions on the fairness of financial statements and the adequacy of internal controls to management, the board of directors, and shareholders.<sup>24</sup>

Independent auditors play a vital role in corporate governance by providing independent assurance on the reliability of financial information and the effectiveness of internal controls. Their oversight helps mitigate the risk of financial misstatements, fraud, and misconduct, thereby enhancing investor confidence and market transparency.

In summary, external oversight bodies such as regulatory authorities and independent auditors are essential components of corporate governance, providing independent scrutiny, enforcement, and assurance to safeguard the interests of investors, protect market integrity, and promote transparency and accountability within organizations. Their oversight helps maintain confidence in financial markets, uphold ethical standards, and ensure the effective functioning of corporate governance mechanisms.

### III. Worker Exploitation: Types and Causes

#### A. Types of Worker Exploitation

Worker exploitation manifests in various forms, ranging from violations of labor rights to hazardous and unsafe working conditions. These exploitative practices not only undermine the dignity and well-being of workers but also perpetuate cycles of poverty and inequality. By understanding the different types of worker exploitation, we can develop strategies to address root causes and promote fair and humane working environments.<sup>25</sup>

#### 1. Labor Rights Violations:

Labor rights violations encompass a wide range of abuses and injustices perpetrated against workers, depriving them of their fundamental rights and protections in the workplace. These violations may include:

1. Wage theft: Deliberate underpayment or non-payment of wages, including failure to pay minimum wage, overtime, or legally mandated benefits.

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<sup>22</sup> Chambers, Rachel, and Anil Yilmaz Vastardis. "Human rights disclosure and due diligence laws: the role of regulatory oversight in ensuring corporate accountability." *Chi. J. Int'l L.* 21 (2020): 323.

<sup>23</sup> Bahrawe, Seraj Hamed, Harashid Haron, and Ali Nawari Bin Hasan. "Corporate governance and auditor independence in Saudi Arabia: Literature review and proposed conceptual framework." *International Business Research* 9, no. 11 (2016): 1-15.

<sup>24</sup> Ibid

<sup>25</sup> Boucher, Anna. "What is exploitation and workplace abuse? A classification schema to understand exploitative workplace behaviour towards migrant workers." *New Political Economy* 27, no. 4 (2022): 629-645.

2. Forced labor: Coercing or compelling workers to work against their will, often through threats, intimidation, or debt bondage.
3. Child labor: Employing children in hazardous or exploitative conditions, depriving them of their right to education, health, and development.
4. Discrimination: Unfair treatment or exclusion of workers based on factors such as race, gender, ethnicity, religion, disability, or migrant status.
5. Denial of collective bargaining rights: Suppressing workers' ability to organize and bargain collectively for better wages, benefits, and working conditions.<sup>26</sup>

Labor rights violations not only violate ethical principles and legal standards but also perpetuate cycles of poverty, inequality, and social injustice. Addressing these abuses requires robust legal frameworks, effective enforcement mechanisms, and a commitment to promoting and protecting workers' rights.

## 2. Unsafe Working Conditions:

Unsafe working conditions pose significant risks to workers' health, safety, and well-being, jeopardizing their lives and livelihoods. These conditions may arise due to negligence, inadequate safety measures, or disregard for occupational health standards. Common examples of unsafe working conditions include:<sup>27</sup>

1. Exposure to hazardous substances: Working with toxic chemicals, fumes, or materials without proper ventilation or personal protective equipment (PPE), leading to respiratory illnesses, skin conditions, or long-term health effects.
2. Lack of safety protocols: Failure to implement safety protocols, procedures, and training to prevent workplace accidents, injuries, and fatalities.
3. Poor ergonomic practices: Inadequate ergonomic design of workstations, equipment, and tools, resulting in musculoskeletal disorders, repetitive strain injuries, and chronic pain.
4. Unsafe machinery and equipment: Operating outdated, malfunctioning, or poorly maintained machinery and equipment, increasing the risk of accidents, amputations, or fatalities.<sup>28</sup>

Failure to comply with the above can result in penalties, fines, or legal action against the employer. Therefore, addressing unsafe working conditions is not only a moral imperative but also a legal obligation under Pakistani labor laws.<sup>29</sup>

## III. Worker Exploitation: Types and Causes

### B. Causes of Worker Exploitation

Worker exploitation is rooted in a complex interplay of socio-economic, political, and structural factors that perpetuate inequalities and vulnerabilities within the labor market. Understanding the underlying causes of worker exploitation is essential for developing effective strategies to address these injustices and promote fair and equitable working conditions.<sup>30</sup>

#### 1. Lack of Legal Protections:

One of the primary causes of worker exploitation is the absence or inadequacy of legal

<sup>26</sup> Ibid

<sup>27</sup> The Pakistan Occupational Safety and Health Act, 2017

<sup>28</sup> Yamada, David C. "The phenomenon of workplace bullying and the need for status-blind hostile work environment protection." *Geo. LJ* 88 (1999): 475.

<sup>29</sup> Mohamed, Sherif, Tauha H. Ali, and W. Y. V. Tam. "National culture and safe work behaviour of construction workers in Pakistan." *Safety science* 47, no. 1 (2009): 29-35.

<sup>30</sup> Ibid at 25



protections and enforcement mechanisms to safeguard workers' rights and interests. In many jurisdictions, labor laws may be outdated, fragmented, or poorly enforced, leaving workers vulnerable to exploitation and abuse. Common shortcomings in legal protections include:

1. Weak or non-existent minimum wage laws: Failure to establish and enforce minimum wage standards, allowing employers to pay substandard wages that do not provide workers with a decent standard of living.
2. Limited or ineffective labor inspections: Inadequate resources, capacity, and political will to conduct regular inspections of workplaces to monitor compliance with labor laws and ensure adherence to health and safety standards.
3. Lack of protection for informal sector workers: Exclusion of informal sector workers, including domestic workers, agricultural workers, and day laborers, from legal protections such as minimum wage laws, social security benefits, and occupational health and safety regulations.
4. Inadequate remedies for labor rights violations: Insufficient access to justice, legal aid, and effective remedies for workers who experience exploitation, discrimination, or retaliation for exercising their rights.<sup>31</sup>

Without robust legal protections and enforcement mechanisms, workers are left vulnerable to exploitation and abuse, with limited recourse to seek redress or hold employers accountable for violations of their rights.

## 2. Economic Pressures on Corporations:

Economic pressures, including global competition, cost-cutting imperatives, and profit maximization goals, create incentives for corporations to prioritize short-term financial gains over the well-being and rights of workers. These pressures may manifest in various forms of exploitation, including:

1. Wage suppression: Pressuring workers to accept low wages, reduced benefits, or precarious employment arrangements to remain competitive in the market and maintain profit margins.
2. Outsourcing and subcontracting: Outsourcing production to subcontractors or suppliers, often in low-wage countries with weaker labor protections, to reduce costs and liabilities, leading to exploitation of workers in subcontracted supply chains.
3. Production quotas and targets: Imposing unrealistic production quotas, targets, or deadlines on workers, often without adequate compensation or rest breaks, leading to excessive overtime, stress, and burnout.
4. Race to the bottom: Participating in a race to the bottom mentality, where companies seek to undercut competitors by lowering labor standards, outsourcing production to countries with lax regulations, or engaging in exploitative labor practices.<sup>32</sup>

While economic pressures on corporations are often framed as inevitable consequences of globalized markets and competitive pressures, they exacerbate inequalities and vulnerabilities within the labor force, perpetuating cycles of exploitation and injustice.

In summary, worker exploitation is driven by a combination of factors, including the lack of legal protections and enforcement mechanisms, as well as economic pressures on corporations to prioritize profits over people. Addressing these root causes requires comprehensive reforms to strengthen labor laws, enhance enforcement mechanisms, and

<sup>31</sup> Haynes, Dina Francesca. "Exploitation nation: The thin and grey legal lines between trafficked persons and abused migrant laborers." *Notre Dame JL Ethics & Pub. Pol'y* 23 (2009): 1

<sup>32</sup> Chan, Anita. *China's workers under assault: Exploitation and abuse in a globalizing economy*. Routledge, 2016.

promote responsible business practices that prioritize workers' rights, dignity, and well-being.

#### iv. Role of Oversight and Accountability

##### A. Monitoring and Reporting Mechanisms

Effective oversight and accountability mechanisms are essential for ensuring transparency, integrity, and compliance with legal and ethical standards within organizations. By establishing robust monitoring and reporting mechanisms, companies can identify and address potential risks, misconduct, and violations of worker rights, thereby promoting accountability and fostering trust among stakeholders.<sup>33</sup>

##### 1. Transparency in Corporate Practices:

Transparency in corporate practices entails openness, honesty, and disclosure of relevant information about the company's operations, performance, and impacts on workers, communities, and the environment. Transparent corporate practices enable stakeholders, including investors, employees, customers, and the public, to make informed decisions and hold companies accountable for their actions.<sup>34</sup>

Key elements of transparency in corporate practices include:

1. Disclosure of financial information: Providing timely and accurate financial reports, including balance sheets, income statements, and cash flow statements, to investors and regulatory authorities.
2. Reporting on environmental, social, and governance (ESG) performance: Communicating information about the company's environmental footprint, social impacts, labor practices, and governance structures through sustainability reports, corporate social responsibility (CSR) disclosures, and other channels.
3. Open communication channels: Establishing channels for stakeholders to access information, ask questions, raise concerns, and provide feedback on corporate practices, policies, and performance.
4. Whistleblower protections: Implementing policies and procedures to protect whistleblowers from retaliation and encourage the reporting of unethical or illegal conduct within the organization.<sup>35</sup>

##### 2. Reporting Requirements:

Reporting requirements encompass the legal and regulatory obligations for companies to disclose certain information to regulatory authorities, shareholders, and other stakeholders. These requirements aim to promote transparency, accountability, and investor protection by ensuring that relevant information is disclosed in a timely, accurate, and accessible manner.<sup>36</sup> In Pakistan, reporting requirements are typically mandatory for certain entities, especially those regulated by specific laws or regulatory authorities. For example, companies listed on the stock exchange are required to submit periodic financial reports to the Securities and Exchange Commission of Pakistan (SECP). These reports include financial statements,

<sup>33</sup> Madue, Steve M. "The Role of Oversight in Governance." *Loyola Journal of Social Sciences* 27, no. 1(2013).

<sup>34</sup> Chambers, Rachel, and Anil Yilmaz Vastardis. "Human rights disclosure and due diligence laws: the role of regulatory oversight in ensuring corporate accountability." *Chi. J. Int'l L.* 21 (2020): 323.

<sup>35</sup> Ibid

<sup>36</sup> Rezaee, Zabihollah. "Corporate governance role in financial reporting." *Research in accounting Regulation* 17 (2004): 107-149.

disclosures about corporate governance practices, and other information necessary for investors and regulators to assess the company's financial health and performance.<sup>37</sup>

Under the Companies Act, 2017, reporting requirements for companies in Pakistan are outlined, and failure to comply with these requirements can result in penalties and legal consequences. Section 225 of the Companies Act, 2017, specifies the obligations of companies to prepare and present financial statements, hold annual general meetings, and submit various reports to regulatory authorities.<sup>38</sup>

Additionally, the Securities and Exchange Commission of Pakistan (SECP) issues regulations and directives specifying reporting requirements for entities under its jurisdiction, such as listed companies, brokerage firms, and other market participants. These regulations set out the format, content, and deadlines for submitting financial reports and other disclosures.<sup>39</sup>

Overall, reporting requirements are mandatory for entities subject to regulatory oversight in Pakistan, and non-compliance can result in legal sanctions and penalties.

### **Key components of reporting requirements include:**

1. Financial reporting: Compliance with accounting standards and regulations governing the preparation and disclosure of financial statements, including annual reports, quarterly filings, and audited financial statements.
2. Non-financial reporting: Disclosure of non-financial information, such as ESG performance, sustainability metrics, corporate governance practices, and risk management strategies, through integrated reporting frameworks, sustainability reporting guidelines, and other reporting frameworks.
3. Regulatory disclosures: Fulfillment of specific reporting obligations imposed by regulatory authorities, such as disclosure requirements for listed companies, insider trading disclosures, and filings related to material events or transactions.
4. Stakeholder engagement: Reporting on stakeholder engagement activities, including consultations, dialogue sessions, and feedback mechanisms, to demonstrate responsiveness to stakeholder concerns and interests<sup>40</sup>

By complying with reporting requirements, companies enhance transparency, accountability, and stakeholder trust, while also mitigating legal and regulatory risks associated with non-compliance or misrepresentation of information.

In summary, monitoring and reporting mechanisms are essential components of oversight and accountability in corporate governance, enabling stakeholders to assess and evaluate the company's performance, practices, and impacts. By promoting transparency, integrity, and compliance with legal and ethical standards, these mechanisms contribute to sustainable business practices, stakeholder trust, and long-term value creation.

## **IV. Role of Oversight and Accountability**

### **B. Accountability Measures**

Accountability measures are essential for ensuring that companies uphold ethical standards, comply with legal and regulatory requirements, and address instances of worker exploitation effectively. By implementing accountability measures, organizations can demonstrate their commitment to responsible business practices and mitigate the risks associated with labor rights

<sup>37</sup> Hossain, Monirul Alam, and Mohammad Nurunnabi. "Enforcement and compliance of mandatory accounting standards in emerging economies: the case of Pakistan." *International Journal of Managerial and Financial Accounting* 3, no. 2 (2011): 200-218.

<sup>38</sup> Ibid

<sup>39</sup> Ibid

<sup>40</sup> Ibid at 36

violations and non-compliance.<sup>41</sup>

### 1. Legal Remedies for Exploited Workers:

Legal remedies provide exploited workers with recourse to seek justice, compensation, and redress for violations of their rights in the workplace. These remedies may include access to judicial or administrative processes to file complaints, seek damages, and enforce legal protections against exploitative practices. Key legal remedies for exploited workers may include:

1. Civil litigation: Filing lawsuits against employers or third parties responsible for labor rights violations, such as wage theft, discrimination, harassment, or unsafe working conditions, to seek compensation for damages, lost wages, and other remedies.
2. Administrative complaints: Lodging complaints with relevant government agencies, such as labor departments, human rights commissions, or regulatory authorities, to initiate investigations, inspections, and enforcement actions against employers found to be in violation of labor laws or regulations.
3. Collective bargaining: Engaging in collective bargaining with employers or labor unions to negotiate improved wages, benefits, working conditions, and grievance procedures, thereby empowering workers to address systemic issues and secure meaningful changes in the workplace.
4. Alternative dispute resolution: Resolving disputes through mediation, arbitration, or other forms of alternative dispute resolution mechanisms to facilitate timely, cost-effective, and amicable resolution of labor disputes while preserving relationships and avoiding protracted legal proceedings.<sup>42</sup>

Legal remedies play a crucial role in holding employers accountable for their actions, deterring future violations, and providing recourse for exploited workers to seek justice and restitution for harm suffered.

### 2. Penalties for Non-Compliance:

Penalties for non-compliance serve as deterrents against violations of labor laws, regulations, and ethical standards, imposing sanctions and consequences for companies that engage in exploitative practices or fail to uphold their obligations to workers. Penalties may be imposed by regulatory authorities, courts, or other oversight bodies<sup>43</sup> and may include:

1. Fines and monetary penalties: Imposing financial penalties, fines, or restitution orders against companies found to be in violation of labor laws, regulations, or court orders, with penalties commensurate with the severity of the offense and the financial resources of the company.
2. License revocation or suspension: Revoking or suspending business licenses, permits, or certifications required to operate legally in certain industries or

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<sup>41</sup> Theletsane, Kula Ishmael. "The legislative oversight bodies in ensuring public financial accountability and responsibility." PhD diss., University of Pretoria, 2014.

<sup>42</sup> Mantouvalou, Virginia. "Legal construction of structures of exploitation." *Philosophical Foundations of Labour Law*, Hugh Collins, Gillian Lester and Virginia Mantouvalou (eds), OUP (2018).p.217-227

<sup>43</sup> Jajja, Muhammad Omer Farooq, and Arshad Ali Bhatti. "Tax Evasion, Low Tax Revenue and Non-Compliance in Pakistan: A Focused Group Discussion." *Journal of Economic Impact* 4, no. 3 (2022): 289-298.

jurisdictions for repeated or egregious violations of labor standards, worker protections, or regulatory requirements.

3. Civil and criminal sanctions: Holding companies, executives, or responsible individuals criminally or civilly liable for violations of labor laws, including penalties such as imprisonment, probation, or court-ordered injunctions to cease illegal activities and comply with legal obligations.
4. Public disclosure of violations: Requiring companies to publicly disclose information about laborrights violations, penalties imposed, and corrective actions taken to enhance transparency, accountability, and public awareness of corporate practices.<sup>44</sup>

Accountability measures such as legal remedies for exploited workers and penalties for non-compliance play a critical role in ensuring that companies adhere to ethical standards, comply with legal requirements, and address instances of worker exploitation effectively. By holding employers accountable for their actions and promoting consequences for violations, these measures help to deter misconduct, protect workers' rights, and uphold the principles of fairness, justice, and respect in the workplace.

## V. Human Rights Perspective

### A. International Standards and Guidelines

From a human rights perspective, the protection of workers' rights is paramount to ensuring dignity, equality, and social justice in the workplace. International standards and guidelines provide a framework for promoting and protecting human rights, including labor rights, on a global scale. By adhering to these standards, countries and companies can uphold their obligations to respect, protect, and fulfill the rights of workers, as enshrined in international law.<sup>45</sup>

#### 1. Universal Declaration of Human Rights:

The Universal Declaration of Human Rights (UDHR), adopted by the United Nations General Assembly in 1948, is a foundational document that sets forth fundamental human rights principles applicable to all individuals, regardless of nationality, ethnicity, religion, or social status. Relevant provisions of the UDHR pertaining to workers' rights include:

1. Article 23: Right to work, just and favorable conditions of work, and protection against unemployment.
2. Article 24: Right to rest and leisure, including reasonable working hours and periodic holidays with pay.
3. Article 25: Right to a standard of living adequate for health and well-being, including food, clothing, housing, medical care, and social services.
4. Article 26: Right to education, including vocational training and access to employment opportunities without discrimination.<sup>46</sup>

The UDHR serves as a guiding framework for the protection of workers' rights,

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<sup>44</sup> Chambers, Rachel, and Anil Yilmaz Vastardis. "Human rights disclosure and due diligence laws: the role of regulatory oversight in ensuring corporate accountability." *Chi. J. Int'l L.* 21 (2020): 323.

<sup>45</sup> Hannum, Hurst, ed. *Guide to international human rights practice*. University of Pennsylvania press, 2016.

<sup>46</sup> Assembly, UN General. "Universal declaration of human rights." *UN General Assembly* 302, no. 2 (1948): 14-25.



emphasizing the importance of fair and equitable treatment, decent working conditions, and access to essential social and economic rights for all individuals.

The International Labor Organization (ILO), a specialized agency of the United Nations, sets international labor standards through the adoption of conventions and recommendations that establish minimum requirements for labor rights, working conditions, and social protections. Key ILO conventions relevant to workers' rights include:

## 2. International Labor Organization Conventions:

1. ILO Convention No. 87: Freedom of Association and Protection of the Right to Organize Convention, 1948, which affirms the right of workers and employers to form and join trade unions, engage in collective bargaining, and participate in industrial action.
2. ILO Convention No. 98: Right to Organize and Collective Bargaining Convention, 1949, which further elaborates on the rights of workers and employers to organize and bargain collectively.
3. ILO Convention No. 29: Forced Labor Convention, 1930, which prohibits and abolishes all forms of forced or compulsory labor, including bonded labor, debt bondage, and human trafficking.
4. ILO Convention No. 138: Minimum Age Convention, 1973, and ILO Convention No. 182: Worst Forms of Child Labor Convention, 1999, which establish minimum age requirements for employment and prohibit the worst forms of child labor, respectively.<sup>47</sup>

These conventions provide a comprehensive framework for protecting workers' rights, promoting decent work, and combating exploitative labor practices, including forced labor, child labor, and discrimination in employment.

By adhering to international standards and guidelines, countries and companies can demonstrate their commitment to upholding human rights, promoting social justice, and creating inclusive and sustainable economies where all individuals can realize their full potential and dignity in the workplace.

## V. Human Rights Perspective

### b. Application of Human Rights in Corporate Governance

Incorporating human rights principles into corporate governance practices is essential for ensuring that companies respect, protect, and fulfill the rights of all individuals affected by their operations, including workers, communities, and stakeholders. By integrating human rights considerations into decision-making processes, companies can mitigate risks, address impacts, and contribute to sustainable and responsible business practices.<sup>48</sup>

#### 1. Duty to Respect Human Rights:

The application of human rights in corporate governance begins with recognizing the duty of companies to respect human rights throughout their operations and supply chains. This duty, articulated in international frameworks such as the United Nations Guiding Principles

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<sup>47</sup> Chau, Nancy H., Ravi Kanbur, Ann Harrison, and Peter Morici. "The Adoption of International Labor Standards Conventions: Who, When, and Why?" [with Comments and Discussion]. In *Brookings trade forum*, pp. 113-156. Brookings Institution Press, 2001.

<sup>48</sup> Muchlinski, Peter. "Implementing the new UN corporate human rights framework: Implications for corporate law, governance, and regulation." *Business Ethics Quarterly* 22, no. 1 (2012): 145-177.

on Business and Human Rights (UNGPs), requires companies to:

1. Avoid causing or contributing to adverse human rights impacts through their own activities or business relationships.
2. Address human rights impacts with which they are involved, either directly or indirectly, through appropriate remediation processes.
3. Conduct human rights due diligence to identify, prevent, mitigate, and account for how they address their impacts on human rights.
4. By embedding a commitment to respect human rights into corporate governance frameworks, companies can align their operations with international standards and norms, mitigate risks of human rights abuses, and enhance their reputation and legitimacy among stakeholders.<sup>49</sup>

By integrating human rights due diligence and impact assessments into corporate governance practices, companies can identify and address human rights risks and impacts, demonstrate accountability and transparency, and contribute to sustainable development and inclusive growth.

In summary, the application of human rights in corporate governance requires companies to recognize their duty to respect human rights, conduct human rights due diligence and impact assessments, and take proactive measures to prevent and address adverse human rights impacts associated with their operations. By integrating human rights considerations into decision-making processes, companies can uphold their responsibilities to stakeholders, foster trust and credibility, and contribute to a more just and sustainable global economy.

## **VI. Challenges and Recommendations**

### **A. Challenges in Implementing Effective Governance**

Implementing effective governance mechanisms to address worker exploitation and uphold human rights in corporate settings faces various challenges, including enforcement issues and cultural and social barriers. Overcoming these challenges requires concerted efforts from governments, businesses, civil society, and other stakeholders to strengthen regulatory frameworks, promote accountability, and foster a culture of respect for human rights.<sup>50</sup>

#### **1. Enforcement Issues:**

Enforcement issues pose significant challenges to the effective implementation of governance mechanisms aimed at protecting workers' rights and preventing exploitation. These issues may include:

1. Limited resources and capacity: Regulatory authorities may lack sufficient resources, expertise, and staffing to effectively monitor compliance with labor laws, investigate complaints, and enforce sanctions against violators.
2. Weak legal frameworks: Legal frameworks governing labor rights and corporate accountability may be inadequate, outdated, or fragmented, making it difficult to prosecute offenders and hold companies accountable for human rights abuses.
3. Lack of political will: Political interference, corruption, and vested interests may undermine efforts to enforce labor laws, regulate corporate conduct, and promote accountability, perpetuating a culture of impunity and injustice.<sup>51</sup>

<sup>49</sup> Arnold, Denis G. "Transnational corporations and the duty to respect basic human rights." *Business Ethics Quarterly* 20, no. 3 (2010): 371-399.

<sup>50</sup> Imran, Muhammad, and Rohaida Nordin. "Good governance in Pakistan: Challenges and recommendations." *International Journal of Law, Government and Communication* 3, no. 10 (2018): 01-11.

<sup>51</sup> Okpara, John O. "Corporate governance in a developing economy: barriers, issues, and implications for firms." *Corporate Governance: The international journal of business in society* 11, no. 2 (2011): 184-199.

Addressing enforcement issues requires strengthening regulatory capacities, enhancing legal frameworks, and promoting greater accountability and transparency in corporate practices. Governments should allocate adequate resources to regulatory agencies, strengthen legal protections for workers, and ensure impartial enforcement of labor laws and human rights standards.

### 1. Cultural and Social Barriers:

Cultural and social barriers can impede efforts to promote respect for human rights, diversity, and inclusion in corporate governance. These barriers may include:

4. Deep-seated cultural norms and attitudes: Societal norms, traditions, and attitudes towards gender, race, ethnicity, and social status may perpetuate discrimination, marginalization, and exclusion in the workplace, hindering efforts to create diverse, equitable, and inclusive work environments.
5. Lack of awareness and education: Limited awareness of human rights principles, labor rights, and corporate governance practices may hinder stakeholders' ability to recognize and address issues of exploitation, discrimination, and abuse in the workplace.
6. Resistance to change: Resistance from entrenched interests, conservative stakeholders, and status quo biases may impede efforts to implement reforms, adopt best practices, and promote ethical conduct and accountability in corporate settings.<sup>52</sup>

Overcoming cultural and social barriers requires targeted efforts to raise awareness, build capacity, and foster dialogue and collaboration among stakeholders. Companies should invest in diversity and inclusion initiatives, promote education and training on human rights and corporate governance, and engage with communities, civil society organizations, and marginalized groups to address underlying social inequalities and promote respect for human rights.

In conclusion, addressing challenges in implementing effective governance mechanisms requires multi-stakeholder collaboration, political will, and sustained efforts to strengthen enforcement mechanisms, overcome cultural and social barriers, and promote a culture of respect for human rights and ethical conduct in corporate settings. By working together to address these challenges, governments, businesses, and civil society can create a more just, inclusive, and sustainable world for all.

## VI. Challenges and Recommendations

### B. Recommendations for Improvement

To address the challenges in implementing effective governance mechanisms and promote respect for human rights in corporate settings, the following recommendations are proposed:

#### 1. Strengthening Legal Frameworks:

To enhance the protection of workers' rights and prevent exploitation, it is imperative to strengthen legal frameworks governing labor rights, corporate accountability, and human rights protections.

Recommendations include:

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<sup>52</sup> Crowshoe, Lynden Lindsay, Rita Henderson, Kristen Jacklin, Betty Calam, Leah Walker, and Michael E. Green. "Educating for Equity Care Framework: Addressing social barriers of Indigenous patients with type 2 diabetes." *Canadian Family Physician* 65, no. 1 (2019): 25-33.

1. Enacting and enforcing comprehensive labor laws: Governments should enact and enforce robust labor laws that establish clear and enforceable standards for wages, working conditions, occupational health and safety, and non-discrimination in the workplace.
2. Implementing due diligence requirements: Governments should require companies to conduct human rights due diligence and impact assessments to identify, prevent, and mitigate risks of human rights abuses throughout their operations and supply chains.
3. Enhancing regulatory oversight: Regulatory authorities should be empowered with adequate resources, expertise, and authority to monitor compliance with labor laws, investigate complaints, and enforce sanctions against violators, including fines, penalties, and license revocation for non-compliance.
4. Strengthening access to justice: Governments should ensure access to effective remedies and judicial mechanisms for workers and other affected individuals to seek redress for human rights abuses, including legal aid, whistleblower protections, and avenues for collective bargaining and dispute resolution.

By strengthening legal frameworks, governments can create an enabling environment for businesses to operate responsibly, uphold human rights standards, and contribute to sustainable and inclusive economic development.

## **2. Promoting Ethical Corporate Culture:**

To foster a culture of respect for human rights, diversity, and ethical conduct within organizations, it is essential to promote ethical corporate culture and values. Recommendations include:

1. Leadership commitment: Corporate leaders should demonstrate a strong commitment to ethical conduct, integrity, and accountability, setting the tone from the top and leading by example.
2. Employee training and awareness: Companies should provide regular training and awareness programs on human rights, labor rights, corporate governance, and ethical conduct to employees at all levels of the organization, empowering them to recognize and address issues of exploitation, discrimination, and abuse in the workplace.
3. Stakeholder engagement: Companies should engage with stakeholders, including workers, communities, civil society organizations, and investors, to solicit feedback, address concerns, and build trust through transparent and inclusive decision-making processes.
4. Integration of human rights into business practices: Companies should integrate human rights considerations into their policies, procedures, and decision-making processes, including supply chain management, procurement practices, and investment decisions, to ensure respect for human rights throughout their operations and value chains.

By promoting ethical corporate culture, companies can create a conducive environment for ethical behavior, diversity, inclusion, and respect for human rights, enhancing their reputation, credibility, and long-term sustainability.

In conclusion, strengthening legal frameworks and promoting ethical corporate culture are essential steps to address challenges in implementing effective governance mechanisms and promote respect for human rights in corporate settings. By adopting these recommendations, governments, businesses, and other stakeholders can work together to create a more just, inclusive, and sustainable world for all.

## **VII. Conclusion**

### **A. Recap of Key Points**

Throughout this exploration of corporate governance mechanisms, worker exploitation, and humanrights perspectives under Pakistani laws, several key points have emerged:

1. Corporate governance plays a crucial role in ensuring transparency, accountability, and integrity within organizations, with mechanisms such as the board of directors, internal controls, and external oversight bodies serving to uphold ethical standards and compliance with legal requirements.
2. Worker exploitation remains a persistent issue, encompassing violations of labor rights and unsafe working conditions, which undermine the dignity, well-being, and rights of workers.
3. Pakistani laws and corporate governance frameworks provide a basis for addressing worker exploitation and promoting accountability, with regulations governing labor rights, corporate practices, and human rights protections.
4. International standards and guidelines, such as the Universal Declaration of Human Rights and International Labor Organization conventions, provide a framework for promoting and protecting human rights, including labor rights, on a global scale.

### **B. Call to Action for Ensuring Worker Rights and Corporate Accountability under Pakistani Laws**

In light of the challenges and opportunities identified, a call to action is warranted to ensure the protection of worker rights and corporate accountability under Pakistani laws:

1. Strengthen enforcement mechanisms: Enhance regulatory oversight and enforcement of labor laws and human rights protections to prevent worker exploitation, hold violators accountable, and promote a culture of compliance within organizations.
2. Promote ethical corporate culture: Encourage companies to adopt and uphold ethical corporate culture and values, with a focus on respecting human rights, diversity, and inclusion in the workplace.
3. Empower workers: Enhance access to justice and empower workers to exercise their rights, including through education, training, legal assistance, and collective bargaining.
4. Engage stakeholders: Foster collaboration and dialogue among governments, businesses, civil society organizations, and other stakeholders to address systemic issues, promote transparency, and build trust in corporate governance processes.

By taking concerted action to strengthen worker rights and corporate accountability under Pakistani laws, we can create a more just, equitable, and sustainable society where all individuals can thrive with dignity, respect, and opportunity.