



المسؤولية الاجتماعية وحوكمة المؤسسات في دولة الإمارات العربية المتحدة
Corporate Social Responsibility and Corporate Governance in the United Arab Emirates



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Executive Summary

The main aim of this study was to assess the state of Corporate Social Responsibility (CSR) in the United Arab Emirates (UAE). This is the first comprehensive study on CSR in the UAE covering all the Emirates. The study looks in some details at managers' awareness, attitudes and perceptions towards CSR, drivers and challenges for CSR implementation, and level and nature of CSR practices in the UAE. The study covers four areas of CSR practices namely the community, natural environment, marketplace, and workplace.

The study was carried out between June and October 2009. A survey was sent to business leaders of 2000 companies based in the UAE. A total of 334 usable surveys were received, yielding a response rate of 17%. This report presents a detailed analysis of the results of this study.

Overview of main findings

Findings from the survey showed that:

- There is a high level of awareness of CSR. Almost two third of responding organizations reported that they are aware of CSR. In addition, nearly half of responding organizations reported that they expect organizations to act in the best interests of their local communities and make a positive contribution to the UAE society. Managers of responding organizations not only feel that organizations should contribute to the local community but also say that they are willing to support initiatives that contribute to such ends. Over a third of responding organizations reported that they see their involvement in community issues as an investment rather than a cost. This reflects the recent trend in the UAE where CSR has become part of the business lexicon of the business community. Additionally, over 80% of responding organizations expect organizations to preserve the environment, treat their employees fairly, and show care and concerns for the customer.
- The results indicate a low level of CSR practice. An overwhelming majority of responding organizations (over 90%) failed to adopt CSR policies and practices, particularly those associated with auditing, monitoring and reporting CSR activities, and setting CSR related objectives and targets. Additionally, while 71 % of responding firms reported that CSR is important to their organization, only 17% of responding organizations stated that CSR is central to their business strategy. These results indicate that there is significant gap between organizations' awareness of CSR and readiness to get involved in CSR, and their willingness and ability to actually develop and implement CSR initiatives. The results reveal that organizations lack the competencies to put CSR initiatives into practice.

- The most common areas of contributing to the community is supporting people with special needs (27%), followed by supporting international aids and development (19%), and supporting environmental conservation programmes (18%). Contribution to other community activities is very low with only 14 % of responding organizations reporting that they invest in education institutions, and just over 10% of responding organizations reported that they make contribution to local arts and culture. More importantly, the results reveal that 42% of responding organizations make their contributions to local communities by donating money or in kind by donating products and services (33%). A very small number of organizations (less than 10%) make long term investments via grants, foundations development of loans. Furthermore, the results indicate that organizations act in isolation from other organizations. Only 13 % of responding organizations share resources or develop partnerships with charitable organizations. The results reveal that organizations do not allocate a budget to community related CSR activities where more than half of responding organizations reported that they make the contribution when and where it is needed, and over half of responding organizations do not have a monitoring system in place to measure their impact of their initiatives on the community.
- Initiatives to protect the natural environment focus on reduction of paper consumption (50%), safe disposal of waste (47%), reduction in water consumption (45%), and reduction of energy consumption (38%). Initiatives that may lead to cost for the organization but protect the environment such as reduction of carbon dioxide and greenhouse gas emission are very low (11%). Only a small proportion of responding organizations (less than 5%) have systems in place to measure CEO2 emissions and other green house gases. In contrast, over a quarter of organizations have systems in place to measure energy and water consumption and waste production. Only 2% of responding organizations implemented Social accountability 8000 and 6% implemented ISO 14001. However, nearly a third (31%) of responding organizations implemented ISO 9000.
- The research shows that a significant number of organization is engaged in marketplace focused CSR activities. In particular, organizations focus on customer related CSR more than any other CSR activity. Over 85% of responding organizations reported that they have processes in place to ensure customers' privacy and protect their personal data, regularly measure customer satisfaction, and provide quality after sales services to their customers. In addition, over half of the responding organizations reported that they have measures to label products correctly and deal with customers' health and safety issues. Only 12% reported that they offer products that are certified and labelled as environmentally friendly.

- CSR practices in supply chain activities vary. Whereas, 60% of responding organizations reported that they re-use material whenever possible, and over half of the responding organizations use new and cleaner technologies, a very small percentage of organizations (less than 15%) work with, or request, their suppliers and distributors to supply environmentally friendly products.
- The research indicates that an overwhelming percentage of organizations are engaged in workplace related CSR activities with over 83% of responding organizations reporting having health and safety procedures in place, 77% reporting having a system to deal with employees' complaints, and 76% reporting providing employees with medical insurance and other medical benefits.
- The results of the study indicates that the three foremost barriers that limit organizations' efforts in implementing CSR are as follows, lack of knowledge of CSR (37%), lack of awareness of CSR (34%) and the inability to accommodate the CSR function (33%). The three main barriers are followed by lack of resources (22%), and perceived high cost of CSR projects (19%). Other less prominent barriers to CSR include lack of government support (18%), top management commitment (17%), invisibility of CSR results (16%), and lack of time to implement CSR (15%). Resistance from employees is the least barrier to CSR implementation.
- CSR is driven by a combination of factors. By far the most important driver for implementing CSR is the desire to preserve the environment (31%). This is followed by the desire to have better image and reputation (26%), developing and sustaining better relationship with the government (25%), the belief that CSR increases productivity (25%) and developing employees' loyalty (24%). A fifth of responding organizations reported that they implement CSR in order to comply with Islamic values and practices (Zakat).
- A comparison of results across the different Emirates reveals interesting results. The results show that Dubai and Abu Dhabi are the driving force for CSR practice which could provide the momentum for change and implementation of CSR throughout the UAE. Attitudes towards CSR, and drivers and challenges for CSR implementation differ to some extent between the different Emirates. For instance, 29% of responding organizations from Abu Dhabi expect organizations to show concern for their local communities compared with 12 % from organizations based in Dubai. 42% of organizations from Abu Dhabi reported a lack of transparency among organizations compared with only 20 % of organizations based in Dubai and Northern Emirates. Similarly, nearly three quarters (73%) of organizations based in Dubai reported that they are aware of CSR compared with 54%, 52% and 35% for organizations based in Abu Dhabi, Sharjah and Northern Emirates respectively. Overall, organizations based in Dubai are more active in marketplace CSR activities than other Emirates, Abu Dhabi based organizations are more active in workplace CSR activities (followed closely by Dubai) and CSR activities to preserve the environment, and organizations based in Sharjah carry out more community based practices than organizations based in Dubai, Abu Dhabi and Northern Emirates. Nearly half (48%)

of Sharjah based organization allocate a proportion (up to 5%) of their corporate profit to community based activities compared with 16% in Dubai and Northern Emirates and 25% in Abu Dhabi. The pattern of community contribution is similar across the Emirates where the dominant methods of contribution is money followed by contribution in kind. These results show that organizations contributions are limited to traditional charitable and philanthropic giving. Contributions to the community by investing in strategic and long term projects using sophisticated methods such partnership with other organizations, are rarely used. As much they may be appreciated by different stakeholders, organization contributions need to go beyond simple donations and occasional philanthropic giving and align their contribution with their core competencies and the long term needs of their communities. Further, the method by which contributions are made reflects to some extent the stage of CSR development in the UAE and reflects the longstanding culture of generosity and giving deeply embedded in the UAE society.

- A comparison of results across the different sectors reveals that some sectors are more active in CSR than others. Overall, organizations from finance and insurance have the lowest expectations of organizations to engage in CSR activities and the highest in lack of transparency, and accountability, and in being out of touch with local communities. Organizations across all sectors have high awareness of CSR with finance and insurance scoring 68% and agriculture and mining organizations having the lowest score at 62%. Construction and real estate allocates the highest level of resources to CSR activities. The results reveal that agriculture, mining and quarrying is the least active sector in community related CSR activities, and construction and real estate is the more active sector in both community and natural environment initiatives. Restaurants and hotels allocate less resources to CSR with only 4% or responding organizations from the sector spend up to 2% of their profit on community involvement initiatives. Agriculture, mining and quarrying sector including oil and construction and real estate sectors allocate more of their corporate profit than other sectors. The results show that different sectors are driven by different motives for CSR implementations and face different challenges when implementing CSR.

This study reflects an exciting coming -of-age for organizations in the UAE, as they are more required than ever to make a positive contribution to the society within which they operate. As organizations in the UAE continue to rethink their role in the wider society, refine their CSR practices and strategies, and gain more capabilities to do so, their role in society is set to evolve.