

Corporate Social Responsibility in the Kingdom of Saudi Arabia 2009

The National Commercial Bank Study on Perceptions of Corporate
Social Responsibility across the Kingdom of Saudi Arabia

Conducted in cooperation with YouGovSiraj



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Introduction

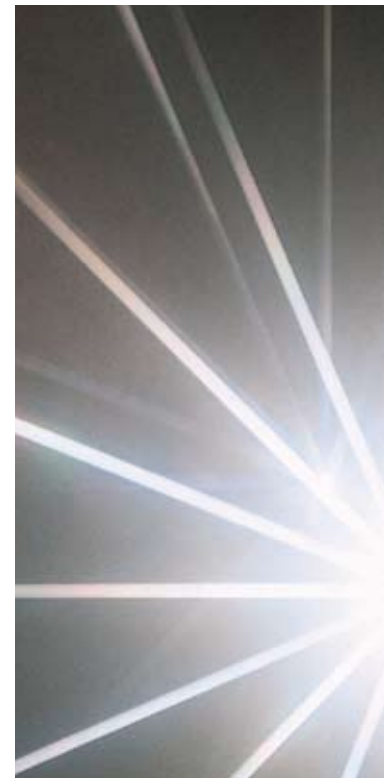
Corporate Social Responsibility (CSR) is about the integration of social, environmental and economic considerations into the decision-making structures and processes of a business. Sustainability for an organization, fundamentally requires contributing positively towards societal and environmental challenges, along with engaging and collaborating with shareholders and stakeholders to manage potential risks as well as build credibility and trust in society in a more effective manner.

There is broad and varied awareness and understanding of CSR in the region as well as within the Kingdom of Saudi Arabia (KSA). Many organizations in the region have been involved in CSR-related activities leading to enhanced consumer trust, community improvement, employee recruitment and retention and improved financial performance without formally organizing these initiatives under a single CSR umbrella. Researching current perceptions is critical for understanding the nature and approach to CSR in KSA today. As a regional CSR Leader, National Commercial Bank (NCB) is dedicated to raising awareness and understanding of CSR and collaboratively, with YouGov Siraj, conducted a study on perceptions of CSR across the KSA. The research was commissioned in November 2008 to explore attitudes, opinions and perspectives on the impact of CSR amongst various groups including government and private sectors, non-governmental organizations, media, consumers and those employed across KSA. This study highlights the current awareness of and approach to CSR in the KSA, its impact on corporate reputation, loyalty and recruitment, as well as the current social priorities in the country.

The results indicate that awareness of CSR initiatives is quite widespread, however, priorities are fluid depending upon the geographical area and the specific community needs. Also, the general opinion of CSR impact is very positive from the perspectives of all stakeholders interviewed. Much importance is attached to charitable giving to improve the lives of those in need, as well as initiatives positively impacting unemployment and encouraging entrepreneurship. What is also critical is the need and ability to effectively communicate the value of the CSR strategy and activities to the relevant stakeholders in terms that demonstrate its value to their interests. As the research was both qualitative and quantitative in nature, the qualitative findings have been summarized in the relevant report sections while the quantitative data has also been illustrated within the 'Survey Results' section. When viewed strategically, CSR can become a source of tremendous social progress, as business applies its considerable resources, expertise and insights to activities that benefit society.

“ As an extension of our commitment to corporate social responsibility in the region, NCB is pleased to support efforts toward building CSR awareness and understanding in Saudi Arabia and across the region. With these objectives in mind, we have published this study to serve as a base from which positive corporate interest can emerge and proactive development as well as implementation of CSR initiatives will be championed in the Kingdom.”

Abdul Kareem Abu Al Naser
CEO, National Commercial Bank



35% of bank customers feel confident in dealing with a bank that is involved in CSR.

Key Findings

Companies are increasingly being evaluated by various stakeholders on the environmental impact of their operations, their activities in the communities in which they operate, their treatment of employees and how they respond to the needs of society at large. By embracing CSR, they can contribute to the long-term growth and development of the region, as well as realize its positive impact on their business operations.

62% of respondents believe CSR facilitates the development of a stronger relationship between customers and the organization.

- CSR activities in the KSA are viewed as important to 'serve' the more unfortunate in society as well as a medium through which to obtain a sense of religious fulfillment. However, respondents felt that it is not appropriate to restrict these activities on the basis of religion .
- Overall, organizations involved in CSR activities are perceived to have developed a positive image in society as well as loyalty amongst customers and employees. In the specific context of the financial industry, CSR involvement promotes trust, loyalty and motivates stakeholders to personally contribute to initiatives.
- Most investors perceive that CSR involvement contributes to the perception that organizations involved in CSR are financially profitable enough to allocate funds to fulfill social needs. Investing in such organizations also gives them a sense of being a co-contributor.
- Similarly, a company that is committed to CSR appears to attract talent who that also feels proud to be employed by such an organization.
- One of the key factors that contributes to an organization's inability to enjoy the full benefit of CSR commitment is the absence of effective awareness about its initiatives. Communication is critical.

49% of respondents believe that companies involved in CSR are considered to exhibit good business ethics.

41% of investors would recommend a Bank to others if it is involved in CSR activities.

Awareness

There is considerable effort throughout the region to enhance the awareness of CSR, and specifically within the KSA, it is a commitment from NCB to ensure that efforts continue in this direction. Most companies that actively participate in CSR tend to focus on the areas of health, safety and environment, ethics and corporate governance, commitment to the communities in which they operate and commitment to their employees. How they approach each of these areas is usually customized or tailored to their respective organization, industry norms or stakeholder expectations.



FOCUS

- The top 3 CSR activities identified in KSA are creating job opportunities for the unemployed (49%), encouraging entrepreneurship (47%) and conducting or supporting anti-smoking campaigns (46%).
- Other activities identified include medical support programs (32%), computer literacy and education drives (30%), and training to the physically challenged (41%).
- Significantly low awareness of CSR activities was in relation to women's programs (10%), anti-obesity campaigns (11%) and career counseling (11%).
- Although awareness of the top 3 activities identified by the male respondents and female respondents are the same, they are slightly varied in order. Female respondents report a higher awareness of anti-smoking campaigns (55%).
- In Riyadh, anti-smoking campaigns (53%) and orphan support and rehabilitation activities (47%) generate greater awareness, whereas in Jeddah, the initiatives associated with educational and vocational programs for women (45%) tops the list. Awareness for unemployment reduction and encouragement of entrepreneurship are almost identical in both cities.

DRIVERS

- The results also identify a variety of CSR drivers for an organization, though the prominent themes that emerged were societal improvement or reformation, and a means to fulfill one's religious obligations of serving the impoverished and underprivileged.
- The benefits identified were aligned with these themes, though also included enhancing corporate reputation, gaining community trust, brand building leading to additional business opportunities, and enjoying positive response from approving government agencies.
- Government and charitable organizations appear to positively respond to organizations engaged in CSR. It is perceived that the government cannot be expected to fulfill all social services and societal needs; as a result, it appreciates assistance from the corporate arena. Another perspective identified is that the Government has a favorable opinion of organizations who take responsibility for society's betterment.
- Most respondents felt that CSR activities should not be mixed with religion and therefore did not have to be Shariah compliant.

Impact

The impact of CSR upon various stakeholders was evaluated in this study in order to identify whether CSR has a positive affect on reputation, image, trust and loyalty. The results showed it always does. CSR is amongst the key ingredients of good corporate reputation and an engaged and realistic CSR strategy can strengthen an organization's overall reputation, thus making it easier to manage, and improving the prospects for a company to attract new customers and increase market share. From the perspective of the investment community, CSR involvement can improve a company's stock market valuation and its capacity to access capital. Another key benefit involves establishing the conditions that yield better results concerning employee recruitment, commitment, retention, motivation, innovation and productivity. Stakeholder engagement and collaboration involving open dialogue, effective partnerships and demonstration of transparency can effectively improve a company's relations with communities and thereby stimulate improved business prospects for its future.



More than **50%** of customers agree that a bank's CSR involvement could lead to stronger loyalty.

60% of respondents feel that organizations involved in CSR are able to motivate their qualified workforce to give their best to the organization.

INVESTORS & CUSTOMER LOYALTY

- More than half the respondents (56%) think CSR attracts new investors and another 62% claim CSR facilitates the development of a stronger relationship with the organization.
- Amongst customers, 63% claim they would recommend to friends and family a bank that is involved in CSR activities.
- Investors view organizations that have dedicated CSR programs favorably. 42% are of the opinion that such organizations are trusted by their shareholders and investors, while a high 62% believe they would attract new investors.
- 51% of customers agree they would be encouraged to contribute to causes in which their bank is involved.
- The qualitative results also indicate that people would like to be part of such 'noble acts' as it allows them to feel that they are also doing their 'bit' for the society.
- More than 50% of customers agree that a bank's CSR involvement could lead to stronger loyalty.

ENHANCING BRAND IMAGE, TRUST & REPUTATION

- A high 69% of respondents agree that organizations conducting CSR activities reflect a positive image in society. 57% are also of the opinion that such organizations are trusted as a result, while 61% believe this involvement reflects good business ethics.

56% of respondents think CSR attracts new investors.

NEW TALENT & RETAINING WORKFORCE

- About 60% of respondents agree that a qualified workforce can be attracted to such organizations and 58% feel it would develop loyalty.
- Engaging in CSR activities does not necessarily qualify organizations as 'fair employers'
- 60% of respondents feel that organizations involved in CSR are able to motivate their qualified workforce to give their best to the organization.

Priorities

The act of giving back to the community, taking care of employees and protecting the environment have been prevalent in organized commerce and trading for centuries. Today, business and commerce have made this a priority. Although there was significant overlap between awareness of current CSR initiatives underway throughout the KSA and priority social issues identified, themes or issues emerged that were not identified as being tackled. This could be a result of a need for relevant programming or a simple result of ineffective communications of existing programs.



INITIATIVES REQUIRED

- When respondents were asked to identify the most important social causes for Saudi society, unemployment remained the key issue to be addressed (83%).
- Job opportunities for the physically challenged (65%), orphan support (63%) and encouraging entrepreneurship (63%) are considered immediate issues to be tackled.
- Although basic education for children, women's issues and human rights fall very low on the awareness radar, these issues are identified amongst the top 10 social causes for Saudi society today.
- Of the top 5 social causes identified, 3 of them are common across both genders.
- Job creation to reduce unemployment is the main focus across all age groups, though the group 36+ years of age identifies basic education for children as a key concern.
- The age groups 21-25 years of age and 31-35 years of age highlighted women's issues as important to address.

STAKEHOLDER PRIORITIES

- Corporations participating in the study identified charitable giving as a key activity. They also claim to work closely with government agencies in supporting social causes. Some examples include: mass marriage, professional day, job creation, environmental preservation, mobile libraries, health-related awareness programs and promotion of local culture.
- The media that was interviewed claim to be engaged in various charities, promote CSR-related initiatives of prominent charitable or private organizations through their respective mediums, sponsoring events and fundraising for specific causes.
- Private sector and non-governmental organizations identified specific programs in which they were involved. These include appliance distribution to those in need, helping people perform Hajj/Umrah, housing schemes for the homeless, medical care for the impoverished and various training programs.

83%

of respondents believe that unemployment is the main social issue that needs to be addressed.

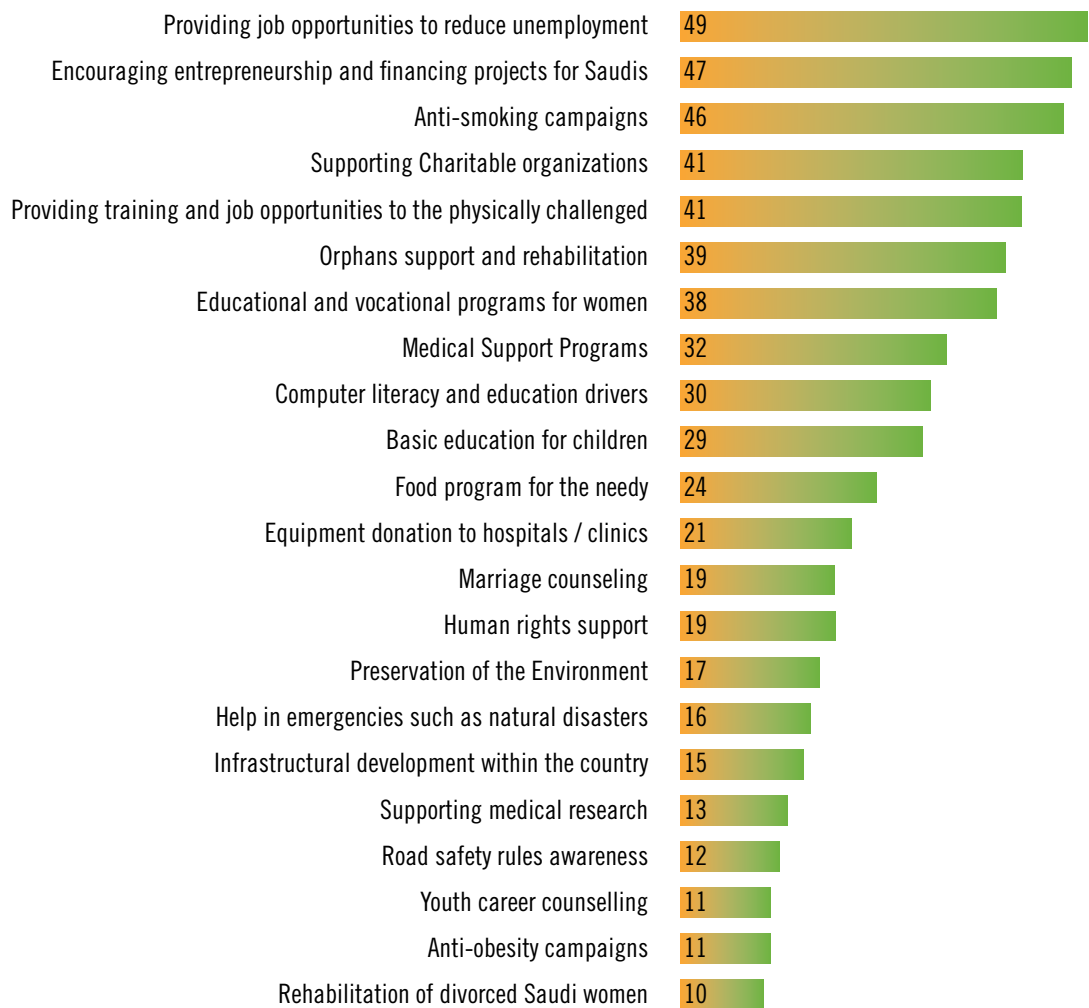
Survey Results

FIGURE 1

Q. Please indicate which CSR activities are you aware of that semi-private and private sector organizations are conducting in Saudi Arabia ? (Please select all that apply)

All figures in percentage

Total Respondents



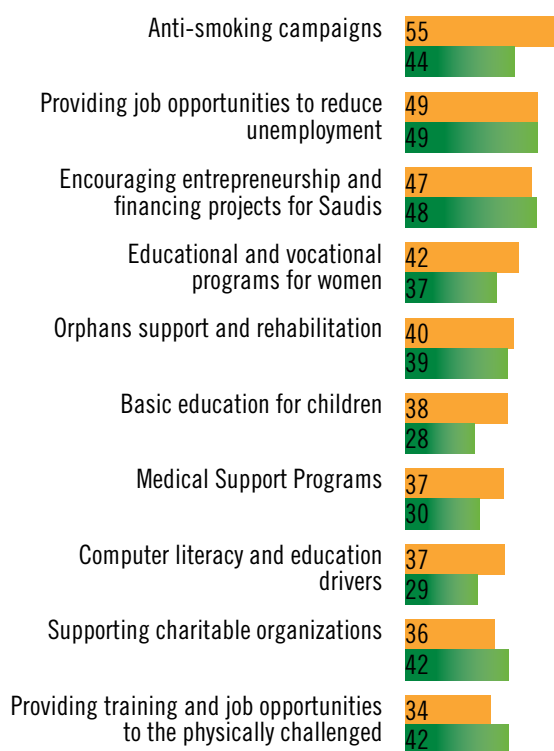
Survey Results

FIGURE 2

Q. Please indicate which CSR activities are you aware of that semi-private and private sector organizations are conducting in Saudi Arabia ? (Please select all that apply)

All figures in percentage

By Gender



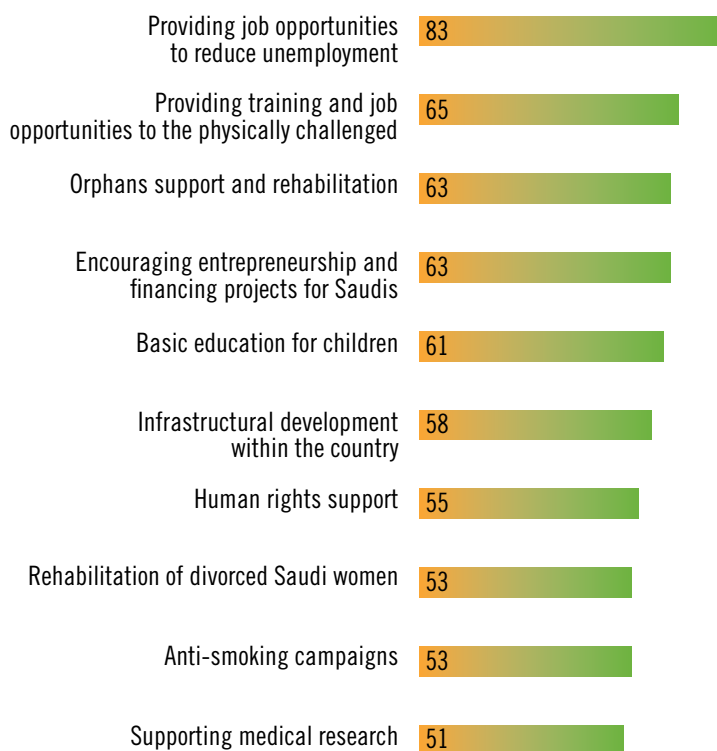
■ Male
■ Female

FIGURE 3

Q. In your opinion, which of the following social causes are the most important for the benefit of the Saudi society ? (Please select all that apply)

All figures in percentage

Total Respondents



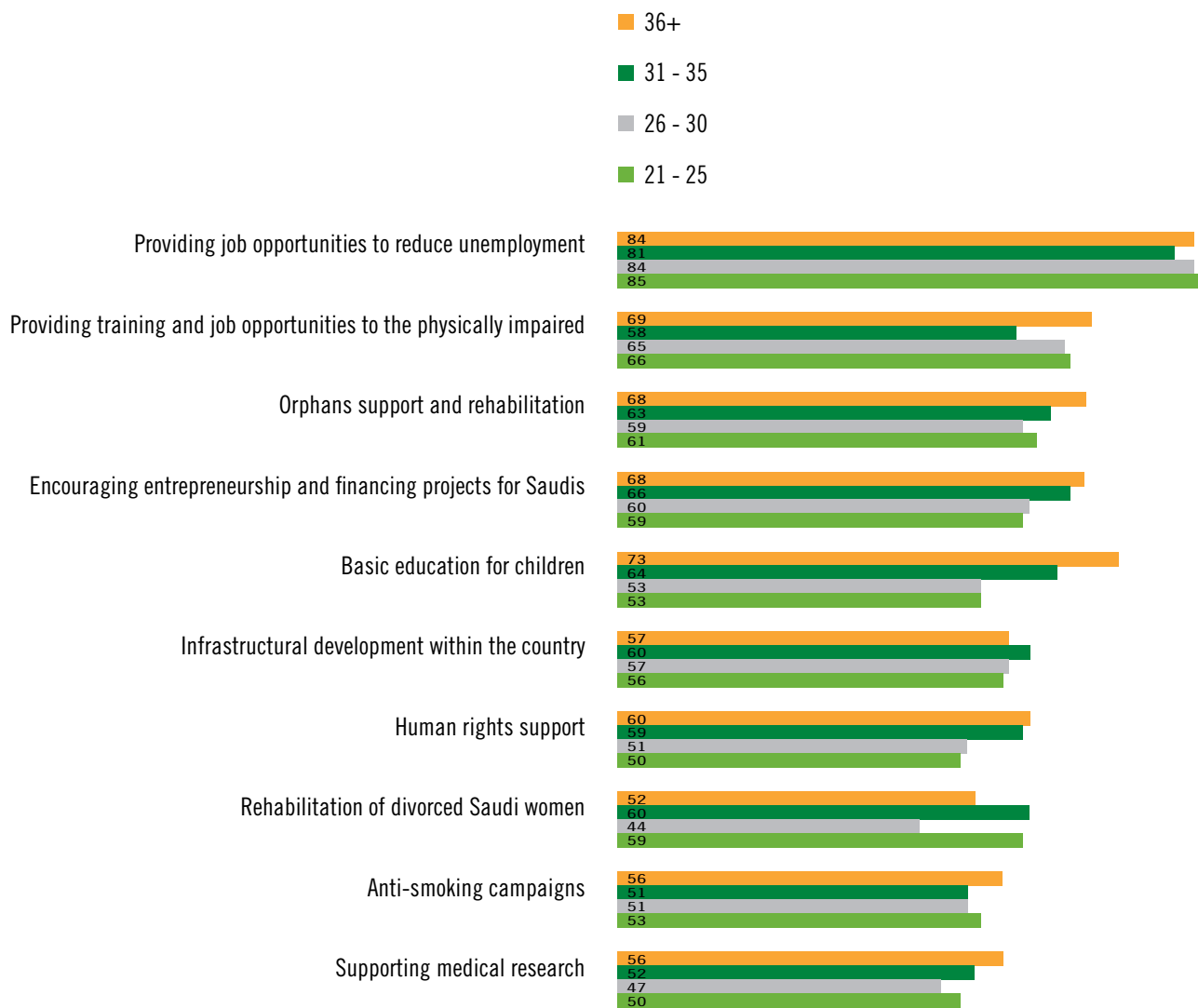
Survey Results

FIGURE 4

Q. In your opinion, which of the following social causes are the most important for the benefit of the Saudi society ? (Please select all that apply)

All figures in percentage

By Age Group



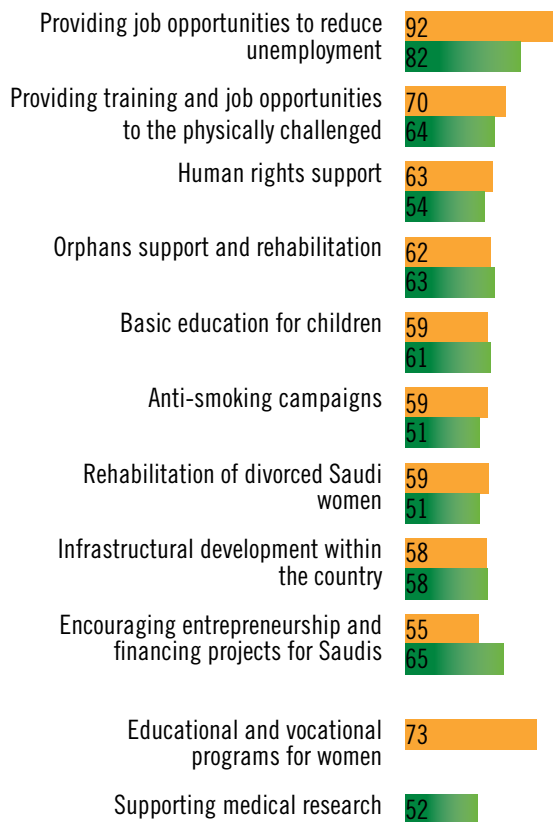
Survey Results

FIGURE 5

Q. In your opinion, which of the following social causes are the most important for the benefit of the Saudi society ? (Please select all that apply)

All figures in percentage

By Gender



■ Male
■ Female

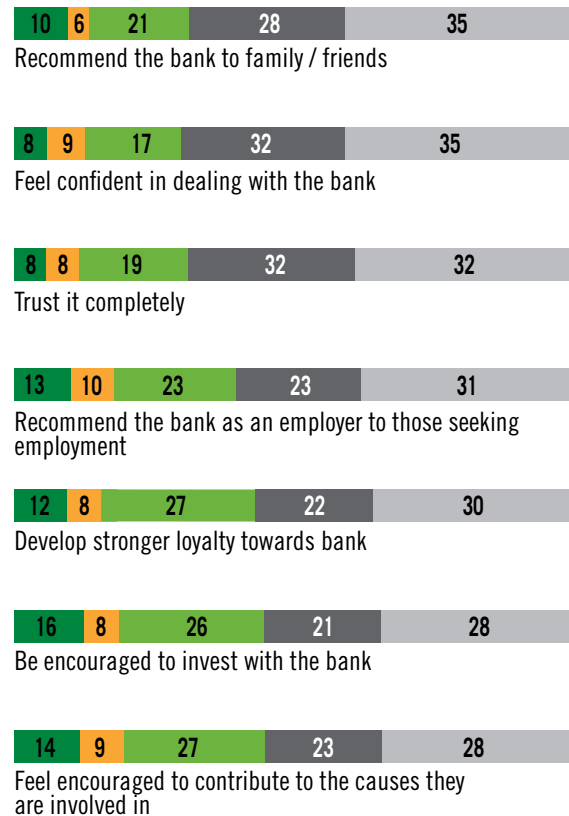
FIGURE 6

Q. On a scale of 1 - 5, where 1 is strongly disagree and 5 is strongly agree, how would you rate your bank that you deal with on the following statements, if you found out that it is involved in CSR activities ?

All figures in percentage

Customers

■ Strongly disagree
■ Disagree to some extent
■ Neither agree nor disagree
■ Agree to some extent
■ Strongly agree



Survey Results

FIGURE 7

Q. On a scale of 1 - 5, where 1 is strongly disagree and 5 is strongly agree, how would you rate your bank that you deal with on the following statements, if you found out that it is involved in CSR activities ?

All figures in percentage

Investors

- Strongly disagree
- Disagree to some extent
- Neither agree nor disagree
- Agree to some extent
- Strongly agree



Recommend the bank to family / friends



Feel confident in dealing with the bank



Recommend the bank as an employer to those seeking employment



Develop stronger loyalty towards bank



Feel encouraged to contribute to the causes they are involved in



Trust it completely



Be encouraged to invest with the bank

FIGURE 8

Q. On a scale of 1 - 5, where 1 is strongly disagree and 5 is strongly agree, please rate the following statements that relate to organizations that are involved in CSR activities ?

All figures in percentage

Investors

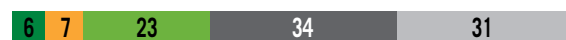
- Strongly disagree
- Disagree to some extent
- Neither agree nor disagree
- Agree to some extent
- Strongly agree



Reflect a positive image in society



Are considered to exhibit good business ethics



Are trusted by people who deal with them



Attract new investors



Are trusted by their shareholders and investors

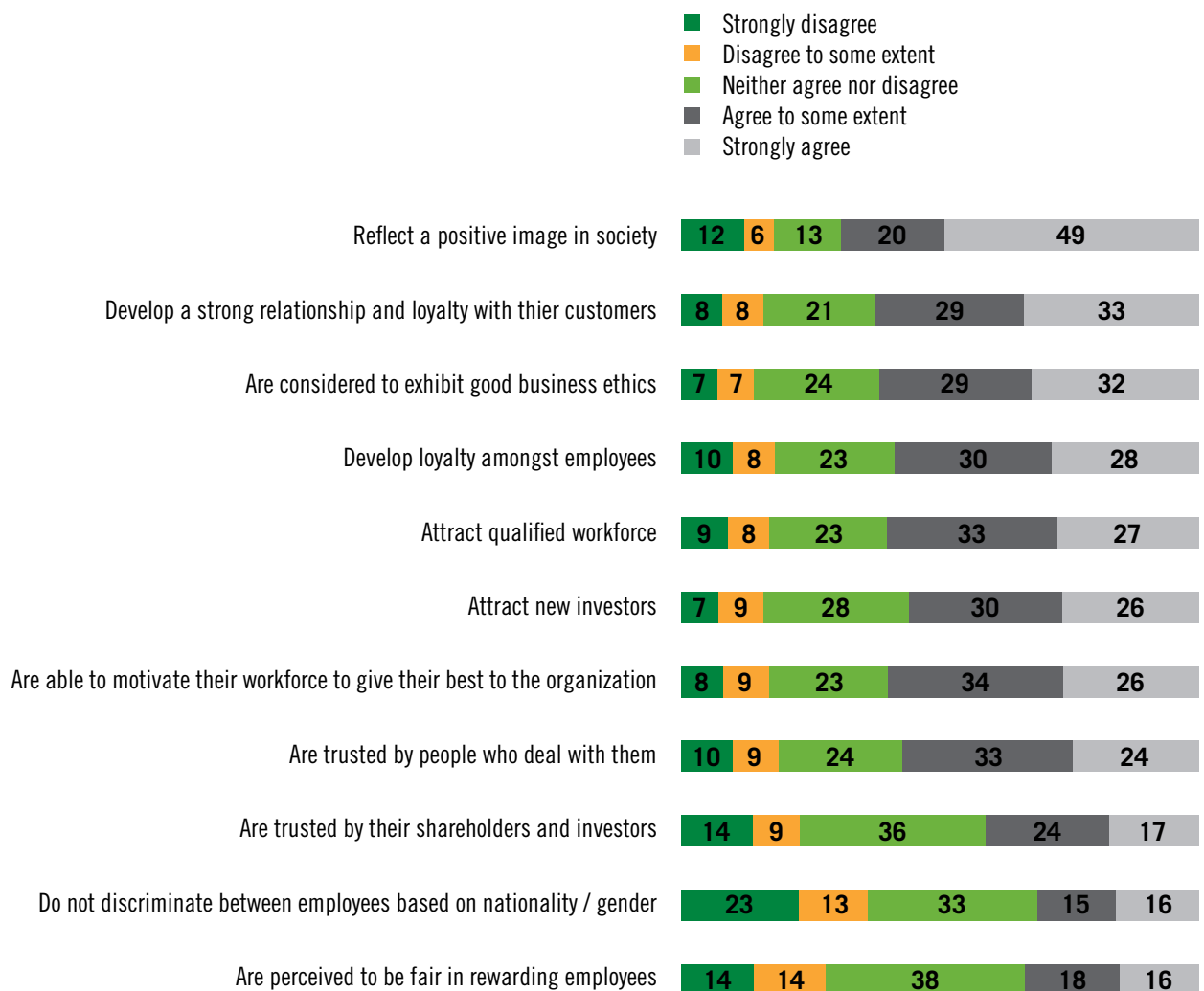
Survey Results

FIGURE 9

Q. On a scale of 1 - 5, where 1 is strongly disagree and 5 is strongly agree, please rate the following statements that relate to organizations that are involved in CSR activities ?

All figures in percentage

Total Respondents





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