



Sustainability through Tailored CG, CSR & CR Solutions

Corporate Responsibility Disclosure and Practices in the Banking Sector of Jordan - 2013

A 2013 Study by Schema for



EXECUTIVE SUMMARY

While the banking sector in Jordan has been commended in past few decades - by the media and through various sectorial podiums - for its social contributions and highly demonstrated corporate citizenship, no research work has spot the light on the type, scope and effectiveness of the disclosed information, until now. Actual social contributions and investments by banks in Jordan could be beyond what is publically disclosed, hence being under-represented due to lack of proper communication and disclosure; or they could be of a less impact than what is being communicated. At the end, it is about saying what you do, and doing what you say, effectively.

The voluntary act by corporations to disclose information regarding their corporate responsibility (CR) practices and policies is known worldwide as Corporate Responsibility Disclosure (CRD); this practice has become widely adopted by different sectors in the world in recent years and accepted as international best practice.

In this study, sustainability advisory firm Schema set out to research CR in the banking sector in Jordan in an attempt to answer the following questions:

- **To what level is CRD practiced amongst banks in Jordan?**
- **What types of CR practices do banks focus on in Jordan?**
- **What are the main social causes that banks in Jordan focus on through their CR practices?**
- **What CR maturity does the current level of disclosure reflect?**
- **How could CR practices and directions further develop in the banking sector in Jordan?**

The study resorts to content analysis based on publicly published information by banks in Jordan. It aims at depicting CR in the banking sector based on what the 26 licensed banks did or did not disclose publically covering the years 2010, 2011 and 2012 through their annual reports, CR/ sustainability reports, and online published news.

Main CR practices by banks in Jordan were highlighted in the study, such as **internal CR practices**, **CR governance**, **direct social contributions** (donations and sponsorships), **responsible banking services**, **socially responsible investment**, and **investing in aggregating benefits**, while providing examples on each practice. The study also explored the social causes mostly supported by banks in.

As a major conclusion, it was found that the level of CRD amongst banks in Jordan is still at a low level as only **28.5% of banks in Jordan issued CR/ sustainability reports in one or more of the years covered in the study**. Moreover, **only 5 banks issued GRI-based CR/ sustainability reports** for 2012

and/or 2011 – the dominant framework for CR/ sustainability reporting worldwide. Nevertheless, those banks that have demonstrated CRD efforts are showing progress year over year, which reflects an increasing awareness of and interest in the matter in Jordan.

Moreover, **57.6% of banks in Jordan disclosed financial social contributions in their annual reports**, and most of them provided a breakdown of the social causes supported; this level of disclosure helped identify the key social areas adopted by the sector. For example, in the three years covered in this study, **reporting banks contributed a total of around 35.7 million Jordanian Dinars (JD)¹** in the form of donations and sponsorships towards societal causes in Jordan, **forming 3.48% of their total 3 year post-tax profit.**

It can be noticed that while a study by the Association of Banks in Jordan (ABJ) - that was based on direct contact with the banks to collect data - revealed a total of **36,859,615 JD** in social contribution for year 2012 by all banks in Jordan, this newer study could only present the total of **14,493,018 JD** by the 15 banks that **publically disclosed** such information for year 2012 in their annual reports. **The lack of public disclosure on the matter by the other 11 banks results in forming a much more humble image on the social contributions by the banking sector in Jordan than what the real situation is.** As such, the more banks become active in matter of CRD, the better of a collective image the banking sector would have in matter of its social commitment and important role in socio-economic development in the country. This image would be at its best when banks also work collectively and collaboratively in their CR endeavors, which would result in a compound social impact by the sector and also help reduce duplication of efforts or distraction of impact through scattered individual contributions. However, such collective impact needs to be communicated through proper disclosure to reap the desired results and gain further momentum amongst the sector and the society at large.

Findings also reveal that the majority of social contributions by reporting banks were directed towards **education, culture, and scientific research; community development; and support for the poor.** Moreover, it has been noticed that there has been a kind of **collective support** by some banks towards certain initiatives. Such collective efforts by banks in Jordan would scale up the impact as opposed to individual contributions that form the norm. **Economic and Human Capital Development come in the fourth place** of what banks have contributed, albeit this area needs to be more focused on due to its direct alignment with the banks' business domain and the expectations by consumers as discussed in the study.

As for the impact of the reported contributions, no bank mentioned measurable impact assessment that could indicate progress or fluctuation in the efforts to support social causes chosen by banks in

¹ The exchange index for the Jordanian Dinar (JD) at the time of this study was \$1.41 for 1 JD as of 24 October 2013

Jordan. This is a main concern when considering philanthropic efforts; they remain tied to cash availability, fluctuating year over year depending on economic status of the banks, while the lack of reported assessment forms an obstacle towards having a solid value-based argument to minimize fluctuation.

While CRD remains relatively newly practiced amongst banks in Jordan, and although the findings of this study mostly apply to the banks that have actually reported on their CR practices be it in their annual financial reports or CR/ sustainability reports, the results remain somehow indicative of the CR trend and best practices by the banking sector in Jordan.

The study shows a very positive move among banks that are strategically investing in their CR programs ranging from minimum efforts of merely trying to avoid risks, to thinking innovatively and proactively of ways to create business opportunities while serving sustainable development in Jordan; or what the study refers to as opportunities for 'the creation of shared value'.

The banking sector by far is one of the most advanced and standardized leading sectors in Jordan and we believe that there is a lot of room for such a vital sector to lead the way in CR and set an example for other sectors to follow. As for the CR practices and adopted social causes, more banks in Jordan should look into ways that generate long-term value for all key stakeholders and the society while planning their CR efforts, in alignment with the banks' main line of business objectives, expertise, capacities, target audience, and market segments.

Disclaimer:

All study findings were based on banks' CRD and the case studies mentioned were selected based on the value they add within the context they were mentioned in, and not in any attempt to promote a bank more than the other. The study is solely commissioned by the Association of Banks in Jordan (ABJ) and both the association and Schema are committed to full transparency and accountability in regards to the study's findings and resources.

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INTRODUCTION & STUDY FOCUS

There are clear benefits for banks that demonstrate Corporate Responsibility (CR) based on solid strategies with sustainability and impact in their core design. Such benefits include better positioning and profiling in the communities served by the banks; contribution towards better local, national and even cross-border economic performance; societal development that would reflect eventually on the banks' people and operations; and positive impact on the bottom line and profitability of the banks.

“Sustainable development is a virtuous cycle: it both creates, and benefits from, economic stability and growth. Starting the cycle requires global cooperation, and often, tough choices...We in the developing world must choose good governance and sound economic measures. All this suggests a framework for global development as well, a framework of partnerships”, King Abdullah II speech at Clinton Global Initiative, 2006

Banks are increasingly bringing into their strategic discussions the role of business in society, and how banks in specific can contribute with solutions rather than adding to the problems. Worldwide, several initiatives and guidelines have been launched to lead the banking sector towards a more socially and environmentally responsible role. The Equator Principles (EPs) for example have emerged as an international framework for responsible project finance; a trend highly being adopted by banks to finance projects to help leverage the economy in the countries they operate in. Such efforts take the banks' CR efforts beyond traditional philanthropic donations into contributions aligned with the core business of the banks. EPs primarily aim at providing minimum standards for due diligence to support responsible risk decision making (Equator Principles, 2013).

An increase in the social contribution by the banking sector has been noticed in the past 3 years; this contribution has taken several forms, including philanthropic contributions in the form of charity and donations, volunteerism, cause-related marketing, and leading social initiatives.

In 2012, Schema, in collaboration with the Union of Arab Banks, developed general CR Guidelines for the financial sector in the MENA region (Schema, 2012). The CR Guidelines were designed in a way that takes account of local needs and capacities, as well as the latest international trends and expectations, focusing on the practical application of CR principles for banks and financial institutions, and providing straightforward guidance on implementation. The CR Guidelines comply with international standards, including Basel II principles and the Equator Principles, whilst taking into consideration the particular characteristics of the region including consideration for CR under Islam.

In order to ensure that the CR Guidelines are aligned with the needs of the market, Schema engaged with around 150 of the Union of Arab Bank (UAB) members to gauge their CR interests and needs. Members' origins included Jordan, Sudan, Syria, Egypt, Iraq, Morocco, Lebanon, Kuwait, Saudi Arabia, Oman, Bahrain, and UAE. The engagement and study findings highlighted some important insights about CR in the banking sector in the region, which we will be referring to throughout this study.

In Jordan, adoption of the concept and practices of CR amongst banks has been rising. **With its 26 licensed operating banks, the banking sector in Jordan has the means and reach to help face major socioeconomic challenges and positively contribute to sustainable development in the Kingdom.**

Banks in Jordan have also become more aware of the importance of Corporate Responsibility Disclosure (CRD) mainly through the preparation and issuance of yearly Corporate Responsibility Reports or Sustainability Reports; the clear announcement of the financial contributions towards the society in their annual financial reports; and coverage of banks CR activities in the media.

In this study, sustainability advisory firm Schema set out to research CR in the banking sector in Jordan in an attempt to answer the following questions:

- **To what level is CRD practiced amongst banks in Jordan?**
- **What types of CR practices do banks focus on in Jordan?**
- **What are the main social causes that banks in Jordan focus on through their CR practices?**
- **What CR maturity does the current level of disclosure reflect?**
- **How could CR practices and directions further develop in the banking sector in Jordan?**

The study is structured as follows; first it provides a brief discussion of the background of CR in relation to the banking sector. Then we discuss the research methodology used and the studied sample. Next we report the findings of the analysis in an attempt to answer the research questions.

The study also provides practical examples of some CR practices disclosed by banks in Jordan in the past three years. The 10 banks that issued CR/ sustainability reports - out of all 26 banks licensed to operate in Jordan – showcase CR practices of different maturity, scope, and impact levels. They include, amongst others, a major national bank that took the lead in establishing an academy for SMEs to build better financial capacity amongst this market segment; another bank that adjusted one of its banking products to channel clients' financial contributions towards their social causes of choice; one regional bank that supports young entrepreneurs at high school age by investing in small businesses of their own creation and management; and another local bank that became the first to publish a GRI based sustainability report in Jordan (GRI is an international reporting guideline that is elaborated on in later sections).

As of end of 2012:

26 Licensed Operating Banks in Jordan:

- 13 Jordanian commercial banks
- 9 Foreign commercial banks
- 3 Jordanian Islamic banks
- 1 Foreign Islamic banks

722 Branches

79 Offices

17,866 Employees

1,291 ATM Machine

Finally, the study draws conclusions on how CR in the banking sector in Jordan looks like from a CRD and maturity perspectives and will provide recommendations for advancing CR in the sector.

WHAT IS CORPORATE RESPONSIBILITY?

There is no one definition for Corporate Responsibility (CR) - also widely known as Corporate Social Responsibility (CSR), Corporate Citizenship, and Corporate Sustainability. With the increase in its adoption by corporations and organizations worldwide, this management concept has been developing in definition and scope. But there is a general consensus that CR is about *"the way through which a company achieves a **balance** of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders"*, (UNIDO, 2013).

As such, CR in its core definition holds a sense of responsibility by corporations that extends beyond economic success and taps into a variety of environmental and social causes, benefits, and challenges.

In its application, comprehensive CR should cover the workplace, marketplace, environment, and community (Figure 1).



Figure 1: CR Application Levels

The Dow Jones Sustainability Index (2005) focused more on the potential value that lies within Corporate Sustainability/ CR by defining it as "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks".

But what is Corporate Responsibility Disclosure?

WHAT IS CORPORATE RESPONSIBILITY DISCLOSURE?

Corporate Responsibility Disclosure (CRD) is a voluntary act by corporations to disclose information regarding their corporate responsibility practices and policies. Such disclosure most commonly takes the form of CR/ sustainability reports, and in other cases gets included in annual financial reports.

In the past decade or so, we have witnessed a growing demand for values and principles of CR and sustainability to guide and lead corporations and solidify credibility of efforts. This demand has been simultaneously attended to by the emerging of a number of international reporting standards that encourage corporations to transparently disclose information on their CR strategies and activities. Such standards include the Global Reporting Initiative-GRI (the world's most widely used CR/ sustainability reporting framework); the UN Global Compact Principles; and performance standards such as the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, to name a few.

About GRI Reporting:

GRI is the dominant framework for CR/ sustainability reporting worldwide; it guides corporations in identifying material issues to report on, and in how to report on them in relevance to performance indicators for sustainability on economic, environmental and social levels. Those indicators are further divided into labor practices and decent work, human rights, society, and product responsibility; topics that corporations need to cover in their CR/

BENEFITS OF ISSUING & COMMUNICATING A CR REPORT:

- Increased understanding of risks and opportunities
- Influencing long term management strategy, policy, and business plans
- Emphasizing the link between financial and non-financial performance
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance
- Mitigating negative environmental, social and governance impacts
- Improving reputation and brand loyalty
- Enabling external stakeholders to understand company's true value
- Demonstrating how the organization influences, and is influenced by, expectations about sustainable development

(Global Reporting Initiative, 2013a)

sustainability reporting. Such a report also presents the reporting organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

GRI has developed a comprehensive CR/ Sustainability Reporting Framework that is widely used worldwide and can be accessed on www.globalreporting.org. The framework is a reporting system that provides metrics and methods for measuring and reporting on impacts and performance relating to sustainability. As a result of the credibility, consistency and comparability it offers, GRI's Framework has become a de facto standard in CR/ sustainability reporting. The Framework – which includes the Reporting Guidelines, Sector Guidelines and other resources – enables greater organizational transparency and accountability. This can build stakeholders' trust in organizations, and lead to many other benefits. Thousands of organizations, of all sizes and sectors, use GRI's Framework to understand and communicate their sustainability performance.

The Sustainability Reporting Guidelines is the cornerstone of the Framework. It considers CR/ sustainability as a journey. Along the way, organizations need to set goals, measure performance, and integrate a CR/ sustainability strategy into their core planning.

Systematic CR/ sustainability reporting helps organizations to measure the impacts they cause or experience, set goals, and manage change. A CR/ sustainability report is the key platform for communicating sustainability performance and impacts – whether positive or negative.

To produce a regular CR/ sustainability report, organizations set up a reporting cycle – a program of data collection, communication, and responses. This means that their sustainability performance is monitored on an ongoing basis. Data can be provided regularly to senior decision makers to shape the organization's strategy and policies, and improve performance.

Following is the five-step process recommended by GRI to start reporting:

- 1. **Prepare:** consider what the sustainability report might contain and what are the organization's major impacts then develop an action plan and hold a kick off meeting.*
- 2. **Connect:** identify key stakeholders and talk to them; the aim is to find out what the key stakeholders consider to be the most important sustainability topics that the organization should manage and report on.*
- 3. **Define:** based on the stakeholder engagement, conduct an internal assessment with management; this will indicate the topics for the report that are most important both internally and externally. Consider the organization's scope of influence, capacity and commitments; this helps to decide how the organization's activities will be covered in the report.*

4. **Monitor:** check processes and systems, monitor activities and record data insuring the quality of information, set performance goals, and follow up.

5. **Report:** write the report and communicate it.

When the five steps are completed, the organization will have the resources in place to keep monitoring its performance, so to consistently manage its sustainability impacts and report sustainability progress.

CR/ sustainability reporting is therefore a vital resource for managing change towards a sustainable global economy – one that combines long term profitability with ethical behavior, social justice and environmental care (Global Reporting Initiative, 2013b).

Full information and step by step guidance on how to start preparing a GRI based report are provided on www.globalreporting.org

More and more stakeholders are expecting and demanding business corporations to have transparent and verifiable commitment to CR. **Banks in specific can no longer afford to be in isolation of the societies' expectations or agonies and as such, it comes of pivotal value to be socially and strategically engaged and make sure their efforts are being identified by the right stakeholder groups.** This can be achieved through several means, including Annual Financial Reports, CR/ Sustainability Reports, and inclusion of CR in the vision and policies of the banks, publishing CR information on the banks' websites, and covering CR news in the press media.

So how did we conduct this study in order to shed the light on the CRD of banks in Jordan?

METHODOLOGY

In this study we resorts to content analysis based on published information by banks in Jordan. The study aims at depicting CR in the banking sector based on what the banks did or did not disclose publically covering the years 2010, 2011 and 2012.

Our data collection process provides evidence from discourse analysis of annual reports, CR/ sustainability reports, and press articles.

62 published annual financial reports and 18 CR/ sustainability reports were analyzed for this study, as well as online published local and regional news articles covering CR related activities and information by some of the banks in Jordan.

62 published **annual financial reports** and **18 CR/sustainability reports** were analyzed for this study.

The study population represents all 26 licensed banks in Jordan as listed in Index I and categorized in Figure 2 below:

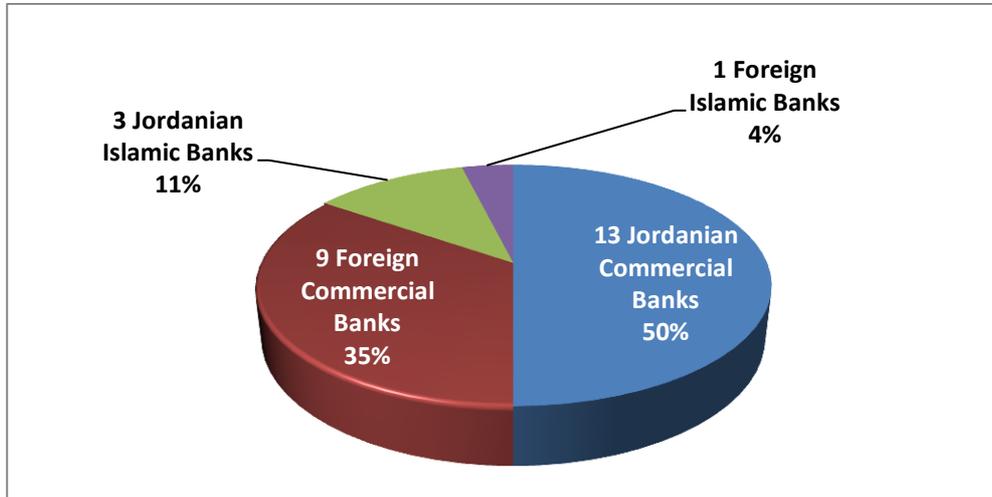


Figure 2: Banks in Jordan by end of 2012

KEY FINDINGS

Some of the key findings of this study can be summarized as follows:

- **57.6%** of banks in Jordan disclosed financial social contributions that increased by **20% between 2011 and 2012 and by 34% compared to 2010**. In the three years covered in this study, **15 reporting banks contributed a total of around 35.7 million JD** in the form of donations and sponsorships towards societal causes in Jordan, **forming 3.48% of their total 3 year post-tax profit**. In 2012 alone, social contributions by those banks reached 14.5 million JD marking a **20% increase from 2011 and a 24% increase from 2010**.
- While the Association of Bank (ABJ)'s study - that was based on direct contact with the banks to collect data - revealed a total of **36,859,615 JD** in social contribution for year 2012 by all banks in Jordan, this newer study could only present the total of **14,493,018 JD** by the 15 banks that publically disclosed such information for year 2012 in their annual reports. The lack of public disclosure on the matter by the other 11 banks results in forming a much more humble image on the social contributions by the banking sector in Jordan than what the real situation is.
- Only **28.5% of banks in Jordan issued CR/ sustainability reports** in all or one of the years covered in the study, while **77% published CR-related news** on their websites or other online media channels.
- As part of their CR practices, **19%** of banks in Jordan have **announced a clear strategy for CR** with identified focus areas and directions, while **77% banks have expressed on their corporate websites**

their commitment to CR in the form of a clear CR vision, adopted societal causes, and or a special section for CR on their corporate websites. None though reflect a dedicated CR function on their organizational charts while only 2 local banks show CR committees on their charts.

- Only **3 banks disclosed figures in regard to energy, water and electricity savings and environment-related investments**; an area that still requires further awareness and commitment by the banking sector.
- **6 banks** in Jordan have a clear focus in their CR approach to **support business entrepreneurship and/or to provide microfinance services**, while **5 banks** provide **financial education opportunities** to increase financial knowledge and bankability of current and potential clients.
- **7 banks** in Jordan put efforts towards **long term economic development** in the country.
- The majority of social contributions by **10 banks** that broke down their financial social contributions were directed towards **education, culture, scientific research, community development and support for the poor**, forming 90% of the total broken down figures.

The study highlights many other findings in regards to CR and CRD in the banking sector in Jordan. The following section provides a detailed analysis of the findings.

FINDINGS & ANALYSYS

CORPORATE RESPONSIBILITY DISCLOSURE (CRD)

The banking sector in general is known globally for its transparency mainly through periodical/annual reports. Compared to other sectors in Jordan, the banking sector is the most known for its disclosure and transparency and for its compliance with and application of international and local disclosure standards (Association of Banks in Jordan, 2012).

Banks in Jordan have recently taken their reporting practice into another dimension of issuing CR/ sustainability reports disclosing information about their corporate responsibility practices, societal causes they support, environment-friendly measurements taken, invested amounts in social contributions, to name a few. Some banks have been progressing with their CR reporting practices and issue their CR/ sustainability reports based on international reporting guidelines and standards such as the Global Reporting Initiative (GRI) and the UN Global Compact.

38.5% of banks in Jordan (10 banks) issue **CR/sustainability reports.**

Out of the 26 banks operating in Jordan, 38.5% (10 banks) issue CR/ sustainability reports; 4 are local banks, 3 are regional, and 3 are multinational. 6 of those banks are foreign banks and issue their reports on either a global level, or specifically for their home country.

As for the reporting standards, **5 banks issued their reports based on GRI, 3 for year 2012 and 4 for year 2011**, and announced their commitment to progress with their GRI reporting practices in the years to come. This practice is still weakly adopted by banks in Jordan; this could be due to lack of knowledge and skills in issuing GRI based reports, the financial investment required to outsource it to GRI-specialized consultancy firms, lack of interest in taking reporting into this level, or lack of awareness of the benefits and value such international guidelines could add to the banks reporting practices and outputs.

5 banks issued **GRI-based** reports for **2012** and/or **2011**.

57.6% of banks in Jordan disclosed **CR related spending** in their financial annual reports in 2010, 2011 and 2012).

More banks though have disclosed CR-related information in their annual financial reports. Mainly they reported on the monetary value of their financial and in-kind contributions in the form of donations, cause-related sponsorships, educational scholarships and Ramadan-related activities.

15 banks reported on their financial social contributions in their annual reports. It is worth noting that **2 multinational banks only mentioned their CR in brief in their global annual reports** with no elaboration on their CR activities in Jordan per se.

12 Jordanian commercial banks and 3 Jordanian Islamic banks have disclosed CR information in their 2010, 2011, and/or 2012 annual reports relating to their operations in Jordan. This indicates that 57.6% of all banks in Jordan have reported on CR spending in their annual reports as a form of CRD although only **4 banks actually issued CR/ sustainability reports for their Jordan operations in 2012** (Figure 3).

These findings are based on CR/ sustainability reports published online and that can be accessed by the public through the banks' websites.

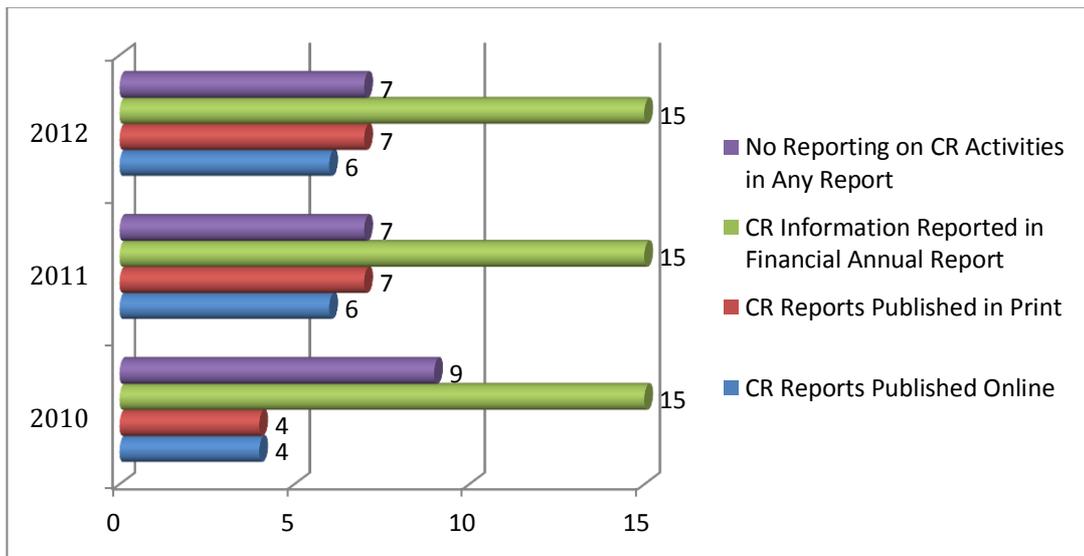


Figure 3: CRD by Banks in Jordan over Past Three Years

As for CR communications aside from reporting, all banks have websites out of which **23 banks (88%) keep those websites updated and 7 banks (27%) disclose CR information on their website.**

As for media coverage, the study found that **20 banks out of 26 have CR related news covered on their website press section and/or through other media and news websites.** This indicates that although less than a third of the banks have issued CR/ sustainability reports in the past three years, nevertheless, the communications arms of the banking sector have always been keen on creating the proper PR coverage for the banks' activities, let alone socially related contributions.

77% of banks in Jordan published CR related news on their website or other online media channels.

From the findings above, it can be concluded that financial disclosure of CR related figures is more common amongst banks in Jordan, considering the importance given to such type of disclosure from corporate governance and regulatory perspectives. Nevertheless, voluntary disclosure of CR information through CR/ sustainability reports has not been very common, being practiced by only 27% of banks in Jordan, of which only 2 banks report based on GRI standards.

More awareness of the benefits of CRD and communications needs to be raised amongst the sector, creating a practice for the whole sector for responsible communications and transparent strategic reporting and benchmarking of CR strategies and practices.

In the next section the study explores the CR practices by banks in Jordan as disclosed in their annual reports, CR/ sustainability reports, and online press coverage.

CR PRACTICES BY BANKS IN JORDAN

Jordanian consumers see that businesses are responsible mostly if they are accountable towards their employees at 75%, very closely followed by addressing social needs at 74%, or addressing environmental needs at 62%. These findings are based on two studies by Schema in an effort to understand companies' and consumers' attitudes towards CR in 2012 and 2013: one covering over 100 of Jordan's largest companies, and the other targeting consumer behavior of around 80 participants from various backgrounds across the country (Schema, 2013).



Figure 4: What consumers consider as corporate responsibility (Schema, 2013)

But what could be the most common CR practices amongst banks in Jordan?

When it comes to people's ability to run their daily lives and businesses, banks play a central role of providing the necessary 'financial plumbing'; meaning, streamlined smooth handling of daily financial transactions. As such, a main endeavor for banks is to keep up with people's habits, technology, and industry advances so as to provide the services and banking solutions that meet the needs, in a responsible way.

From a wider perspective though, banks play a pivotal role in economic development through their lending services, tax contribution, and employment.

But the banks' role towards shaping better societies extends beyond the abovementioned contributions. Banks have increasingly become aware of the tremendous opportunities for their own sustainability and societal benefits; such opportunities rely in innovative banking solutions and lending

models, progressive employment and human resources management practices, and environment-oriented operational solutions, to name a few. Moreover, banks strongly realize the importance of market differentiation and expansion of services into new market segments and have keenly started considering responsible banking and CR practices as some of the strategic means to achieve that.

Following is a number of CR practices performed by banks in Jordan. In the section afterwards, the study looks into the social causes adopted by banks and supported through such practices (e.g. economic development, education, poverty elimination, etc.).

Internal CR Practices

Effective CR practices are first and foremost strongly reliant on a well-established culture and managerial buy-in for the importance of CR. In this study, we shed light on two internal factors that reflect how well acknowledged and enforced CR is within banks in Jordan; first we look at the inclusion of CR in the vision and/or strategy of the banks, and then we explore CR governance and its positioning in the organizational chart.

CR Vision & Strategy

For an effective and sustainable CR practice, banks need to make sure that there is clear buy-in for CR cascading from top management down to the most junior posts at the organization. This usually is reflected in the corporate culture by having CR incorporated in the corporate vision and mission, and by building CR strategies that align with the business strategies of the bank.

Out of the 26 banks in Jordan, only 5 banks have announced a clear strategy for CR with identified focus areas and directions. Nevertheless, 20 banks have expressed on their corporate websites their commitment to CR in the form of a clear CR vision, adopted societal causes, and or a special section for CR on their corporate

websites. This reflects a growing conviction amongst banks in Jordan of the importance of committing to CR and communicating this commitment. Nevertheless, more work needs to be done in matter of building CR strategies and announcing clear CR direction and focus areas by the banks. A good reference and a step-by-step guide on creating and implementing CR strategies for banks is the **CR Guidelines for the Financial Sector** publication issued by the Union of Arab Banks and Schema available on http://schemaadvisory.com/wp-content/uploads/2013/05/CSR-Guidelines-for-the-Financial-Sector_English.pdf (Schema, 2012).

19% of banks in Jordan have announced **CR strategies** while **77%** have expressed their **commitment to CR** on their websites.

CASE STUDY: JORDAN AHLI BANK CR STRATEGY

(Jordan Ahli Bank, 2013a)

For years, **Jordan Ahli Bank** has been dedicated to contributing to Jordanian society through different means and programs. Such social contributions in the past few years can be summarized as follows:

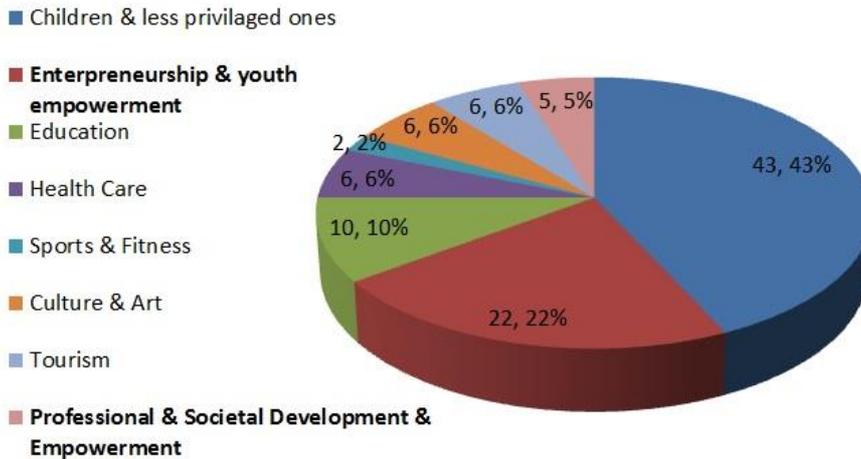


Figure 5: Jordan Ahli Bank's CR Contributions in Past Few Years

In 2012, Jordan Ahli Bank, in cooperation with a leading sustainability advisory firm, went through a thorough assessment of its CR activities in the past years, as well as a review of the bank's stakeholders' needs and interests. It was found that, while attempting to serve as many societal causes as it could, in widely diverse areas, the CR investments and contributions could achieve an even higher impact on society and stakeholders with a more strategic approach.

The bank recognized that its CR activities could be shaped and directed differently to achieve more substantial impact on sustainable development as well as the bank's business, while meeting its stakeholders' interest and expectations.

Moreover, the new shape and direction for Jordan Ahli Bank's CR will result in sustainable growth and progress of such desired higher

ahli | الأهلي البنك الأهلي الأردني Jordan Ahli Bank

A BANK THAT CARES
A bank that aims at enabling a Better Economy

"WE SEE BEYOND BANKING"
Socially Responsible
Economically Empowering
Environmentally Friendly

- 1 Walking the Talk
- 2 Responsible Banking
- 3 Local Socio-Economic Development

impacts. Hence, through a collaborative effort between the bank’s senior management, CR department, and sustainability advisors the bank’s CR Strategy for 2013 onward was designed to achieve an integrated CR scenario that meets more of the stakeholders’ expectations; contributes with progressive impact to the development of certain societal, environmental and macro-economic issues; and aligns well with the bank’s business objectives and vision. As such, the new CR strategy is based on a direction for Jordan Ahli Bank to reaffirm itself as a bank that cares beyond providing mere commercial banking services. Rather, the bank is to sustainably grow as a financial institution that aims to enable a better economy. With this direction, the bank’s CR Vision is “to be a Socially Responsible, Economically Empowering, and Environmentally Friendly Bank”.

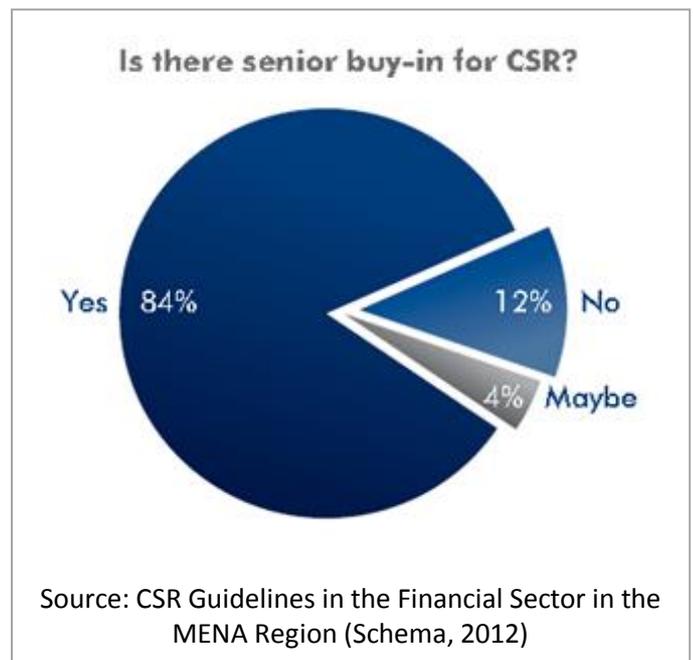
This direction of the bank’s CR is reflected through three focus areas or pillars designed with the aim of achieving an integrated CR approach that blends into the bank’s value chain and its interactions with internal and external stakeholders: Walking the Talk | Responsible Banking | Local Socio-Economic Development.

With this fresh mindset, Jordan Ahli Bank believes that it will not only be in a better market position if it focuses on more strategically-aligned causes, but the output of the bank’s CR initiatives and programs have started leading to the development of innovative new banking solutions that will result in stronger CR impact while also attracting new customers and generating new sources of revenue; hence creating shared value for the bank and the society it aims to serve.

Governance

By nature of the industry, banks are highly regulated and governed; good governance is a core requisite for sustainability, with emphasis on transparency, openness, accountability and stakeholder engagement. Governing CR in banks is of similar importance to guarantee sustainability and high-impact of efforts in the short and long term.

Proper governance would provide the backbone for CR efforts in matter of reporting mechanism, budgeting, accountability, and commitment; this would also help create a system that is non-dependable on individuals but rather on an



organizational structure and approach; teams would know their duties and responsibilities, supervisory roles would have a clear scope, monitoring and evaluation would be clear to all stakeholders, and most of all, the decision making process would be streamlined and easier to follow.

Within the scope of this study, CR governance is assessed by the following aspects:

- **Having a dedicated function/person for CR in the bank**
- **The location of the CR function in the organizational chart**

A dedicated function for CR would allow for more focused effort, strategizing, planning and opportunity for developing CR. While many could argue that integrated CR is considered of higher maturity level where each department in the organization would have some duties and responsibilities towards achieving the CR strategy, this could be an ultimate best practice with organizations that a proven track record of impactful strategic CR. Nevertheless, in many cases, a dedicated CR team is recommended to serve as the custodian of the strategy and initiator of the needed work, in coordination with the needed other departments. This would in turn provide more focus and attention towards achieving the desired results out of the CR strategy until a better maturity level could be achieved where CR is embedded within the culture and the duties and responsibilities of all departments.

From a disclosure point of view, 24 banks in Jordan did not have a dedicated CR function/department on their published organizational charts or structures provided in their annual reports or published on their websites. 2 local banks though had CR committees on their published organizational charts.

Most banks in Jordan though have CR as part of the Corporate Communications, Public Relations, or Marketing departments, which reflects some of those banks' perception of CR as one aspect of the marketing and communications efforts and its recognized importance on the brand recognition and reputation management while missing on many other advantages of CR aside from reputational benefits. For example, many aspects of CR do not fall within the scope of the Communications/ Marketing departments work, such as:

CR as a dedicated function **does not show** on the **organizational charts** of banks operating in Jordan, while **2 local banks** have **CR committees** on the chart, and **6 banks have CR staff.**

- **Responsibility towards the employees:** example; capacity building, gender diversity, fair recruitment opportunities, fair career development opportunities
- **Operational efficiency:** example; upgrading or replacing electronic equipment or machinery with energy/ electricity saving options; utilizing energy saving light bulbs; utilizing water-saving

basin taps; efficiently managing car fleets and transportation expenses to cut down cost and carbon footprint; customizing work processes to be more cost and effort efficient

- **Service/ product innovation:** example; designing products and services that consider social/ environmental responsibility in their core design, as will be discussed in the Responsible Banking Services/ Products section below

Those are but some of the examples of CR related areas that cannot be covered within the scope of the Communications/ Marketing departments but rather need integration of CR within the relevant departments as well as coordination with the CR team in the organization.

It could be also the case that in the past year or so, some of the banks in Jordan have established CR departments yet their disclosed or online published organizational charts do not reflect that yet. The study found that **23% of banks have CR staff** (including 4 multinational banks), even if no CR departments show on their organizational chart, which reflects higher importance given to the function, with clearer mandate and objectives. This aligns with the findings of an earlier study by Schema and the Union of Arab Banks (Schema, 2012) that revealed a good buy-in for CR by senior management in the banking sector in the MENA region.

In both cases, we cannot assess the effectiveness and efficiency of the way CR is handled from merely what is revealed on the organizational chart or the governance of the function announced in some of the reports. This remains to be explored through more thorough assessments of CR governance per bank, which is beyond the scope of this study.

Direct Social Contributions

Banks in Jordan have been very well commended for their contributions to society for long years. This practice, mainly upon the discretion of banks' top management, has even become a common expectation by civil society organizations approaching banks every year for financial support.

In 2012, 2011, & 2010, 15 reporting banks contributed a total of 35,691,279 JD in the form of donations and sponsorships towards societal causes in Jordan, forming 3.48% of their total 3-year post-tax profit of 1,026,319,000 JD.

In 2012, 2011, & 2010, **15** reporting banks **contributed a total of 35,691,279 JD** in donations and sponsorships in Jordan; **3.48% of total 3-year post-tax profit.**

Social contribution findings are based on CR related disclosure in the annual and/or CR/ sustainability by **12 Jordanian commercial banks and 3 Jordanian and regional Islamic banks** out of the 26 banks licensed to operate in Jordan.

Those banks' contributions kept increasing in parallel with the growth in their profit, which reflects a commitment by banks to grow with their societal responsibility as their business grows. **In 2012, banks' social contributions reached a total of 14,493,018 JD marking a 20% increase from 2011 and a 34% increase from 2010.**

Although reporting banks opt to recognize such contributions as part of their CR efforts, they are mainly philanthropic in nature, and in many occasions lack the aspect of sustainability and impact assessment. Moreover, reported CR information miss on mentioning how social contributions align with the business strategy and direction and how they could possibly create added value. This is mainly related to the perception amongst many decision makers in the banks – as in many other businesses in the country – that CR is mainly about donations and philanthropy and is not expected to bring much benefit or value to the business beyond reputational benefits, let alone aligning CR efforts with the business objectives.

Direct social contributions by the 15 reporting banks were mainly of two types:

- **Financial donations** in support of NGOs and societal causes which amounted to **14,438,325 JD in 2012 and a total of 35,554,588 JD in 2010, 2011, and 2012 collectively** (*such societal causes include Ramadan activities and contributions to education*)
- **Events sponsorships**, which amounted to **54,693 JD in 2012 and a total of 136,691 JD in 2010, 2011, and 2012 collectively**

2 banks only clearly reported on monetary value of in-kind contributions such as Ramadan Iftar meals or holding Iftar events for people in need in year 2012, amounting to 164,075 JD in past three years, and 3 banks reported on educational sponsorships amounting to 2,080,497 JD in past three years.

The published CR/ sustainability and annual financial reports by reporting banks reveal that such contributions were not directed every year to the same beneficiary NGOs, sector, or geographical focus, or in the same amounts. Only few NGOs remained supported by the same banks and same amounts throughout the years 2010-2012, which makes it difficult to identify the main societal causes supported by some banks, let alone a CR direction and focus.

In **2012**, banks' social contributions reached a total of **14,493,018 JD** marking a **20% increase** from **2011** and a **34% increase** from **2010**.

Social contributions compared to post-tax profits of reporting banks for the years 2010, 2011, 2012 were **2.88%**, **3.48%**, and **4.02%** respectively.

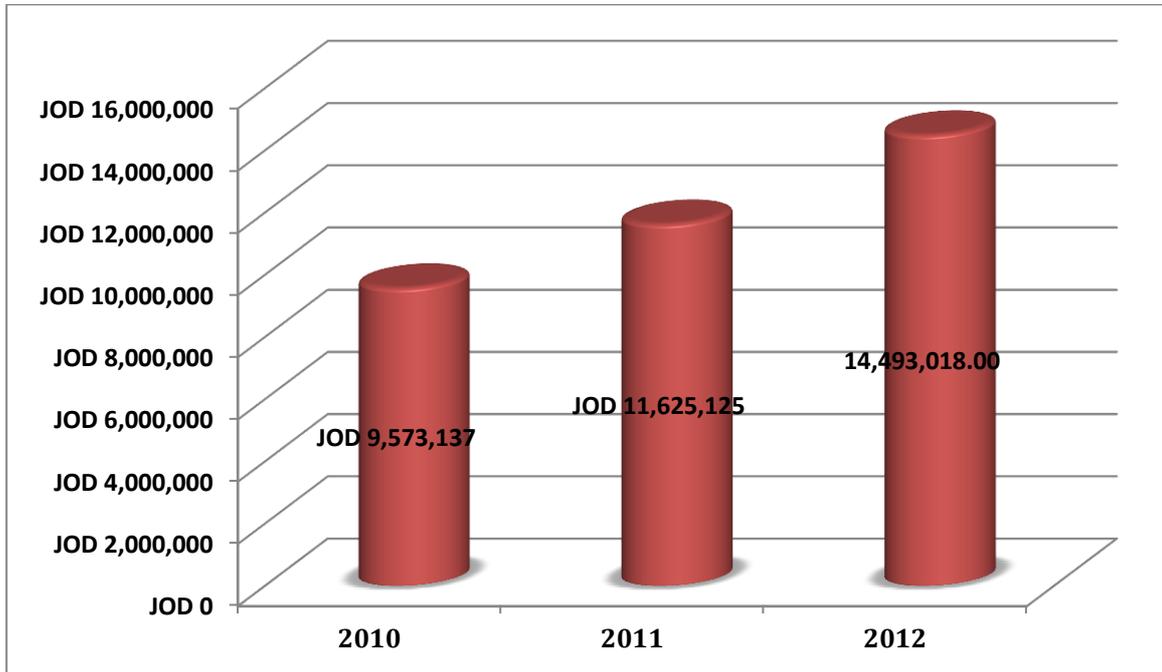


Figure 6: Total Social contributions Reported by 15 Banks

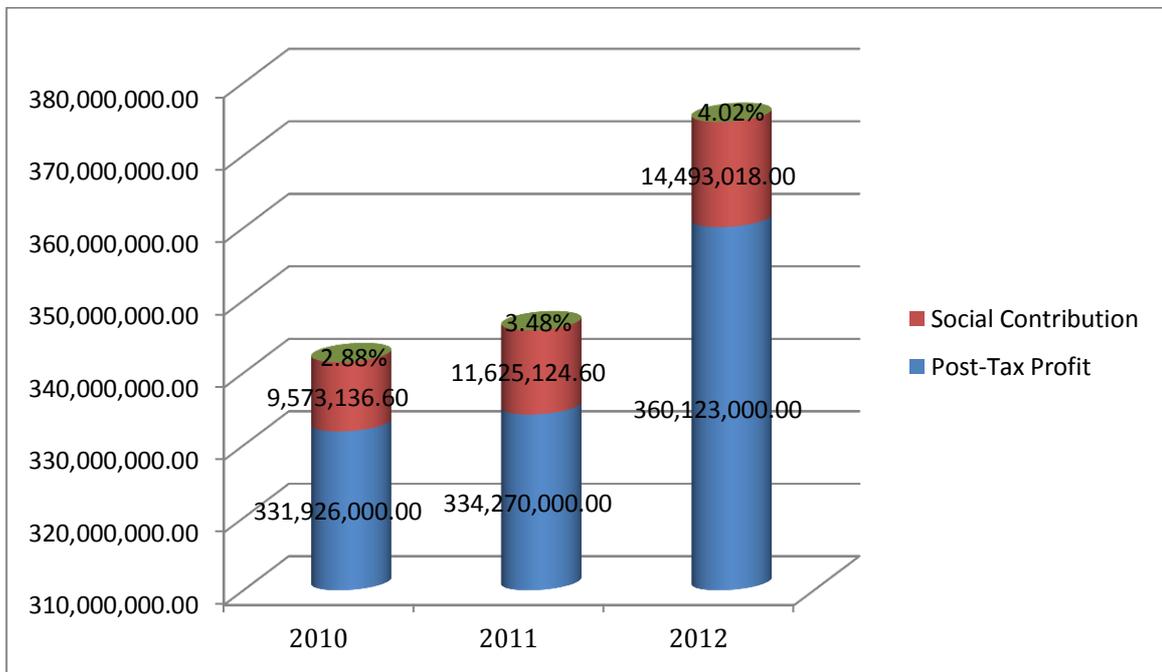


Figure 7: Social Contributions to Post-Tax Profit by Reporting Banks in Jordan from 2010 to 2012

As for the impact of the reported contributions, no bank mentioned measurable impact assessment that could indicate progress or fluctuation in the efforts to support social causes chosen by banks in Jordan. This is a main concern when considering philanthropic efforts; they remain tied to cash

availability, fluctuating year over year depending on economic status of the banks, while the lack of reported assessment forms an obstacle towards having a solid value-based argument to minimize fluctuation.

The other aspect of the dynamics of direct societal contribution is the adopted social causes supported by the banks. This is further discussed in a separate section below. Nevertheless, it is worth mentioning here that **the more banks can manage to direct their social contributions towards specific causes, the more collective impact would be achieved, by each bank, and by the sector as a whole.** For example, 6 banks in Jordan have a clear focus in their CR approach to support business entrepreneurship and/or to provide microfinance services. With such a focus, two critical segments of the society, business entrepreneurs and economically underprivileged society members, are being attended to directly through banking services that generate shared value for the banks, the society, and economic development in the country at large. Nevertheless, such collective impact needs to be communicated through proper disclosure to reap the desired results and gain further momentum amongst the sector and the society at large.

6 banks in Jordan have a clear focus in their CR approach to support business entrepreneurship and/or to provide microfinance services.

CASE STUDY: ARAB BANK

While traditional tools for direct social contributions are very common amongst banks in Jordan in the form of financial/in-kind donations and sponsorships, some banks have retired to innovation in their social contributions. Of the very few banks that reported on their CR practices in Jordan through GRI-based sustainability reports is the Arab Bank. Amongst their other CR practices, the bank launched "Together"; a multi-dimensional CR program that aims to involve different stakeholders and encourage them to be active members in the community. The program works with various non-profit organizations that attend to different social causes and needs. Through its banking services, the program allows its clients the opportunity to take a responsible role towards the community and contribute towards their social causes of choice through any of the following banking services (Arab Bank, 2013):



- **Online Internet Service:** users can transfer funds online directly into the accounts of one of the non-profit organizations either one time, or may choose to set recurring transfers.
- **Phone Banking:** donating becomes easy through a phone call from anywhere, anytime.

- **Credit Card:** a Platinum Visa credit card that automatically adds 0.5% of the client's monthly bill as a donation, and the bank matches that amount by another 0.5%. The total amount is then equally distributed to non-profit organizations. The bank also donates 50% of the card's annual membership fee.
- **ATM:** clients can conveniently donate to any of the non-profit organizations at any of the bank's ATM machines simply by choosing the name of the non-profit organization on the screen and keying-in the donation amount.
- **Bank Branches:** clients can deposit money directly into the accounts of one of the non-profit organizations through standing orders at one of the teller desks and contribute first hand.

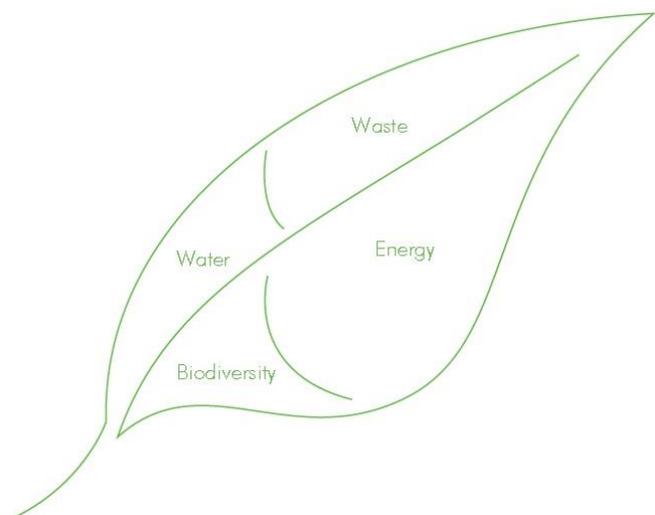
Such socially responsible services capitalize on the main capacity and expertise of the bank to create shared value for the community, the clients, and the banks' business:

- **Value for the Community:** the more such services are commonly used by the large client base of the bank, the better NGOs within the program are supported to keep serving the social causes and needs they are set up to serve. Such a support stream has the potential of growing and increasing in volume, which also allows space for engaging more NGOs and providing support on a wider scale with time.
- **Value for the Clients:** the program provides trusted streamlined easy-to-use methods to clients who wish to support the community; it also allows them the option to choose the causes they want to support by selecting the NGOs to direct their contributions to.
- **Value for the Bank:** one of the main business objectives of any bank is to grow its client base and retain existing clients. By aligning some of the bank's services with the interests of its clients – social contribution – the bank delivers a clear message to its stakeholders on how it cares for its clients desires and needs. It also clearly demonstrates its own sense of responsibility to the community, by designing services that can help, and by also contributing as a bank through some of these services (e.g. matching amounts in the Credit Card option). Such showcased responsibility has its benefits on the corporate image, brand value, and client attraction and loyalty.

Environmental Responsibility

Banks as in any other business have direct impact on the environment through their daily operations and overall size, although the sector is traditionally perceived as relatively less-polluting in its direct business compared to other industrial sectors.

Waste management, water and energy consumption, paper consumption, and procurement, all tap into the level of environmental impact a bank has.



Banks can minimize their negative environmental impact in a systematic manner by firstly implementing an environmental policy; furthermore, they can apply for environmental certification, such as ISO 14001. They can also reduce their cost by using resources more efficiently, reflecting their policy on day-to-day and individual practices.

Out of the 10 banks that issued CR/ sustainability reports, 4 are local banks, 3 are regional, and 3 are multinational. For environmentally responsible practices the study focuses on reported information in regards to banks' operations and activities in Jordan. Only 3 local banks have disclosed improvements in their environmental responsibility demonstrated through verifiable measures to decrease water, energy and paper consumption, manage waste through recycling and efficient use, and raising environmental awareness. Cost-effective measures helped reporting banks to save in electricity, water, and energy and reduce paper consumption through alternative paperless transaction and encouragement of recycling practices.

Only 3 banks disclosed **environmental responsibility** information in regards to their activities in Jordan.

EXAMPLE: Arab Bank has initiated a program to support environment friendly infrastructure projects in Jordan with an investment budget of 12.6 million JD; such projects include a wind energy project in Fujei' and a solar energy project in Maan.

Throughout the reports of the 3 banks reporting on environmental performance in Jordan, all have been very active in raising environmental awareness amongst their employees, clients, and the society in general. Nevertheless, those banks are few compared to the total number of banks operating in Jordan and more strategized effort in this regards needs to be taken by banks to affect a higher impact on the national level.

As for the multinational banks issuing reports, all 3 banks have well-founded strategies for environmental responsibility and have reported in figures on reduced carbon footprint, reduced consumption of resources, enhanced waste management, and environmental awareness initiatives within their value chains, client bases, and supply chains, and have disclosed information on their strategy, policies and procedures towards the protection of the environment.

This is not the same case with regional banks operating in Jordan as only one bank reported in clear figures on its environmental performance, green offices, and an integrated environment management system in place. Another regional bank only reported on efforts put to raise environmental awareness in the society. Both banks are from the gulf region.

Banks also have **indirect influence on the environment**. Ensuring that credits are used for environmentally-friendly purposes is becoming more popular amongst banks worldwide. Some banks offer incentives towards credit facilities for "**green investments**" – investments that are checked not to

harm the environment. Such investments can take the form of improving the heating systems efficiency through the use of alternative energy, or improving buildings' insulation.

CASE STUDY: JORDAN AHLI BANK

(Jordan Ahli Bank, 2013b)

Amongst banks in Jordan, no bank had any environment-related credit programs in the years covered in this study; nevertheless, in 2013 Jordan Ahli Bank announced the launching of its flagship "Go Green Loan" program that builds on the new CR strategy it announced in 2012.

"Go Green Loan" was developed in collaboration with a large network of companies, all of which are specialized in providing environmentally friendly products. The program targets individual, retail and SME sectors in particular, enabling customers to obtain the products they need with 100% funding, 0% interest and a payment period reaching up to 48 months.

Those interested in buying any environmentally friendly products within the program's network of suppliers including lighting systems, solar panels, etc., can get funding from any of the bank's 52 branches across the kingdom. The program serves to increase environmental awareness amongst the masses, decrease operational costs for beneficiaries, while also positively serving the economy and environment.

Another indirect influence by banks on the environment could be through encouraging and somehow obliging certain clients and suppliers to be environmentally responsible. In Jordan though, only one bank revealed policies to incorporate environmental risk assessment in projects financing decisions according to the Equator Principles (2013).

Banks in Jordan have not been active so far in requiring suppliers and customers to conform to environmental standards, although this comes as one of the requirements in OPIC's policy statements for its investors. *"The policy statement is intended to provide guidance to OPIC's investors, as well as the interested public, with respect to the environmental and social standards, assessment, and monitoring procedures that OPIC applies to prospective and ongoing investment projects"* (OPIC, 2013).

There is a significant opportunities for banks in Jordan to take steady strategic steps in regards to environmental responsibility, raising awareness in one hand and leading initiatives in the other through its business processes and services, contributing to environment protection and sustainable development on a national level.

Based on the level of disclosure by banks in Jordan, no much environmental awareness seems to be demonstrated aside from donations to environment-focused organizations/ initiatives and some employees' volunteerism and awareness campaigns. There is a significant opportunities for the

banking sector in Jordan to take steady and strategic steps in regards to environmental responsibility, raising awareness in one hand through its large base of stakeholders, and leading initiatives in the other hand through its business processes and services, contributing to environment protection and sustainable development on a national level.

Responsible Banking Services/Products

Worldwide and in emerging markets, it has become clearer to banks that sustainability-related products and services offer promising opportunities for banks to increase their competitiveness, and improve their brand differentiation.

More so, the market today expects banking offerings beyond traditional products and services; more of products and services that offer solutions to customer segments such as (EBF, 2013):

- People outside the mainstream financial system (not fully integrated in society)
- Employees
- Not-for-profit sector
- Low income families
- Micro-enterprises operating in disadvantaged areas

Worldwide, two main solutions have been identified to address the needs of those segments; **Financial Education** and **Microfinance**.

FINANCIAL EDUCATION: In Jordan, **financial education solutions have recently been implemented by 5 banks**, three of which have established academies to equip existing or potential clients, (such as SMEs and NGOs) to be more bankable, financially literate, and aware of financial services and products they can use in their operations. Such education efforts help better shape clients to take their businesses further on solid financial grounds, which eventually makes them potential clients for bigger accounts and more banking interactions. A local example of such academies is demonstrated by Jordan Ahli Bank's SMEs Academy, and a regional academy by the National Bank of Kuwait.

MICROFINANCE: While banks have been criticized for the problem of financial exclusion and mis-selling of financial services and products, some banks faced this criticism with responsible services such as microfinance; this service is identified as one of the best socially-led innovations by the financial sector that also forms an opportunity for a growing segment of business (Herzig & Moon, 2011).

"The commercial success of business organizations is affected by the health and prosperity of the communities where they produce or sell their goods and services" – Lord Carr, Chair of the Prudential Assurance Society (quoted in Moore and Richardson, 1988:271)

One of the leading local banks in Jordan has supported by end of 2012 **22,000 active microfinance customers**, **92%** of which are **women**, with a loan portfolio that reached **9.2 million JD** by end of 2012.

Microfinance solutions are being offered by **3 banks in Jordan**, enabling potential entrepreneurs with little or no financial means to start their businesses, and in many cases giving special focus to women entrepreneurs and to projects with social or environmental development objectives.

*"As many financial institutions remain in a reactive mode to sustainability, it is likely that we will see a growing divide between the leaders and laggards with environmental, social, and governance risks becoming ever more concentrated in the loan books of the laggards. Meanwhile, **proactive financial institutions will have the potential to tap into new consumer and product-driven market niches**", David St. Maur Sheil, Director and Co-Founder, The Association for Sustainable & Responsible Investment in Asia (IFC, 2007)*

Albeit microfinance is not practiced by many banks in Jordan, the trend seems to be developing; for a country like Jordan with myriads of socio-economic challenges and needs, leveraging the economic status through microfinance can contribute significantly to a sustainable solution for economic development in the country. The question remains on the measures taken in parallel to financially educate the microfinance clients or potential clients to help them scale up with their operations and financial management. **This scenario would ultimately create shared value benefiting the society, borrowers, and the bank's base of growing clients.**

Socially Responsible Investing

Socially Responsible Investing (SRI) is a relatively new approach to control some of the negative indirect impacts of business on society and the environment. SRI prefers the consideration of ethical, religious, social and/or environmental aspects in investment decision making above considerations of financial risk and return (Kurtz, 2008); such considerations would yield higher value, return on investment, and sustainability on the long run, as stakeholders are becoming more aware and conscious of the impact of business on societies and the environment, and are increasingly having higher expectations of responsible business conduct. Over the last few years the concept of SRI has become more adopted worldwide, though its implementation techniques are still being debated around positive and negative ESG screening (Environmental, Social, Governance), and positive investing, amongst others.

100% of Islamic banks and multinational banks in Jordan have clearly expressed their policy for **socially responsible investing** in their reports and online information.

In Jordan, SRI is clearly demonstrated in the investments of Islamic banks as the raison d'etres of those banks is already built around responsible banking and investing even before the term SRI became commonly known in business. **100% of Islamic banks in Jordan have clearly expressed their policy for socially responsible investing in their reports and online information. Their SRI approach is embedded in their credit and loans policies, and financing services extended to projects that benefit societies and the community at large.** Examples of such services include:

- Reciprocal Insurance Funds

- Financing marginalized market segments, such as projects of skilled workers
- Investing in housing projects that cover underprivileged community members

Nevertheless, the practice is still not commonly followed by other local and regional banks on all ESG levels in their operations in Jordan, aside from negative screening of some sensitive areas such as military equipment investments for example. As for multinational banks, all three of them are active in SRI throughout their global operations.

Investing in Aggregating Benefits

Considering the nature of their business, banks have been perceived as not generating significant negative social impact as noted by the International Finance Corporation (IFC, 2007); nevertheless they have positive social impact through the dynamics of employment, restructuring, and economic development.

7 banks in Jordan have disclosed information on their efforts towards economic development in the long run in the country. Such efforts include:

- Financing entrepreneurial businesses
- Encouraging saving and investment through innovative products and services
- Providing banking services to all sectors and market segments
- Employing and equipping members of the society; by end of 2012, the total numbers of employees at licensed banks in Jordan reached 17,866 receiving around 44,500 capacity building opportunities

Focus on supporting entrepreneurship in the country have been to the rise, be it through direct financing of entrepreneurial projects, or by partnering with organizations such as Oasis 500 (www.oasis500.com) and Oasis Ventures (www.oasisventures.net). Support not merely extended through financing but also through equipping young entrepreneurs with knowledge and skills to be strong responsible and successful custodians of the economy of tomorrow.

7 banks in Jordan put efforts towards long term **economic development** in the country.

Number of employees at banks in Jordan reached **17,866** by end of 2012; **44,500 capacity building opportunities** were provided.

CASE STUDY: JORDAN COMMERCIAL BANK

(Jordan Commercial Bank, 2013)

As part of its social investments, Jordan Commercial Bank in 2012 started supporting **Sherkitna Initiative** (meaning *Our Company*), www.sherkitna.com, by Al Joud Non-For-Profit Organization. The initiative aims at growing seeds for entrepreneurship amongst youth by providing male and female students –11th graders from public schools - with opportunities to start their own companies and manage them fully. Interested students are given a capital of 200 JD and equipped with the knowledge and tools needed to succeed with their projects. This initiative not only creates small promising business opportunities, but mainly creates a culture of entrepreneurship and innovation and provides the evidence to students that if they set their minds into success, with the right knowledge and capacity, they are sure to achieve it. Such students are the custodians of future economy and society and investing in them will surely contribute to better opportunities for a better tomorrow.



Some banks also invest in co-financing infrastructural projects in Jordan such as establishing education and health institutions, or projects to provide rural areas with electricity.

In the previous sections the study explored main CR practices by banks in Jordan; in the following section, the study will highlight the social causes served by such practices, especially by banks' direct social contributions.

ADOPTED SOCIAL CAUSES

A cornerstone of most CR practices in Jordan is community involvement through volunteerism and direct social contributions; the latter taking the form of philanthropic contributions, and at times extending far beyond that.

Reporting banks have indicated their support of a variety of social causes throughout the years 2010, 2011, and 2012.

In this study we focus on the banks that clearly disclosed social contribution figures in their annual and/or CR/sustainability.

It is worth mentioning though that a recent study by the Association of Banks in Jordan (2012) covering Corporate Social Responsibility by Operating Banks in Jordan for the years 2010 and 2011, indicated that the total social contributions by all banks reached around 32.4 million JD in 2010, and increased to

36.9 million JD in 2011. Their study scope and methodology exceeded banks' CR and annual reports to gather the needed data as demonstrated in the figures 8 and 9 below.

Social Causes	Contribution in JD	% of total Contributions
Environment, tourism, tradition and religion	102,424.00	0.28%
Children, women and family	284,814.00	0.77%
Persons with disabilities	287,423.00	0.78%
Sports and health	329,050.00	0.89%
Culture, art and craftsmanship	447,451.00	1.21%
Development and poverty	616,961.00	1.67%
Education	724,308.00	1.97%
Social and charity services	1,536,317.00	4.17%
Support for cultural, social, economic, and national organizations	8,914,112.00	24.18%
Others	23,616,755.00	64.07%
TOTAL	36,859,615.00	100.00%

Figure 8: Banks' Social Contributions by Social Cause by end of 2011
Source (Association of Banks in Jordan, 2012)

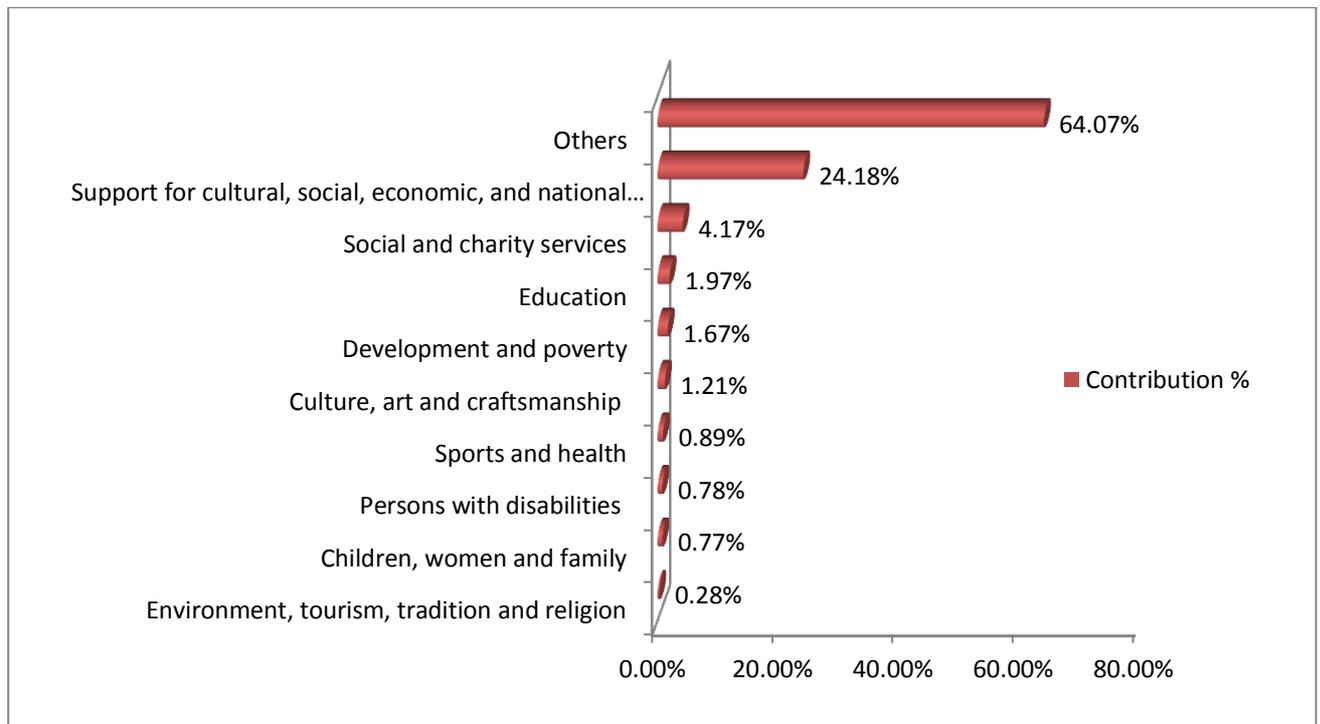


Figure 9: Comparison of Banks' Social Contributions by Social Cause by end of 2011
Source (Association of Banks in Jordan, 2012)

As for this new study, the social causes supported by banks in 2012 have been within similar areas to the ones shown in the previous two figures. This study explored the disclosed information in annual

and CR/ sustainability regarding CR social contributions in Jordan for 2012. **Out of the 15 banks that disclosed financial information for their social contributions in their annual reports, 10 banks broke down the financial amounts according to the supported social causes, as shown in figures 10 and 11 below:**

Social Causes	Contribution in JD	% of total Contributions
Education, Culture, and Scientific Research	9,058,468	62.50%
Community Development, Poverty, Ramadan	3,115,895	21.50%
Health and Support for People with Disabilities	569,703	3.93%
Economic and Human Capital Development	274,209	1.89%
Religion	164,039	1.13%
Children	126,371	0.87%
Environment	67,493	0.47%
Sports	53,760	0.37%
Internships	25,931	0.18%
Others	68,860	0.48%
Total	13,524,729	93.32%

Figure 10: Banks' Social Contributions by Social Cause for year 2012

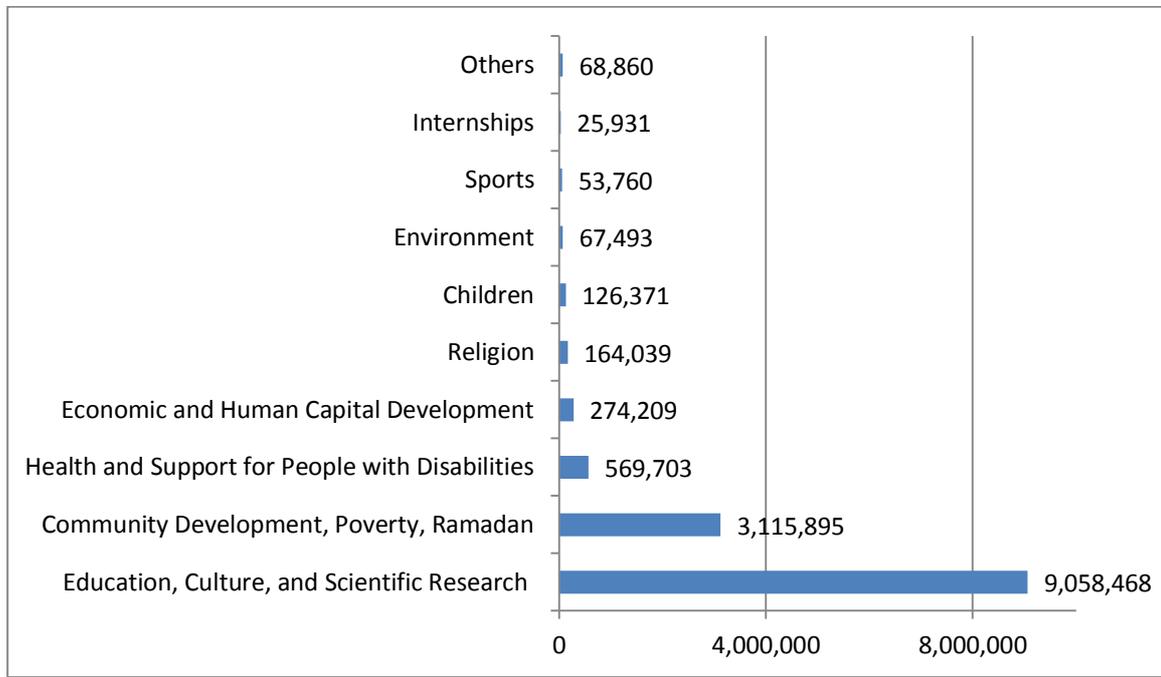


Figure 11: Banks' Social Contributions by Social Cause for year 2012

Note: The above detailed social contributions by 10 banks represent 93.32% of the total disclosed contributions by the 15 banks for year 2012. A total of 968,289 JD was disclosed by the other 5 banks that did not break down the numbers by supported social causes.

IMPORTANT OBSERVATION:

It can be noticed that while the Association of Bank (ABJ) study - that was based on direct contact with the banks to collect data - revealed a total of **36,859,615 JD** in social contribution for year 2012 by all banks in Jordan, this newer study could only present the total of **14,493,018 JD** by the 15 banks that publically disclosed such information for year 2012 in their annual reports. The lack of public disclosure on the matter by the other 11 banks results in forming a much more humble image on the social contributions by the banking sector in Jordan than what the real situation is. As such, the more banks become active in matter of CRD, the better of a collective image the banking sector would have in matter of its social commitment and important role in socio-economic development in the country.

Findings also reveal that the majority of social contributions by those 10 banks were directed towards **education, culture, and scientific research; community development; and support for the poor, all forming together a total of 12,174,363 JD; 90% of the total broken down amounts.** Moreover, it has been noticed that there has been a kind of **collective support** by some banks towards certain initiatives, such as The Hussein Fund for Excellence, Al Aman Fund for the Future of Orphans, and the Jordanian Hashemite Fund for Human Development (Qandah, A., 2009). Such collective efforts by banks in Jordan would scale up the impact as opposed to individual contributions that form the norm.

Economic and Human Capital Development come in the fourth place, forming only 1.89% of what banks have contributed in 2012. This area

though needs to be more focused on as it is by far the most area people expect the banking sector to support, as found by a recent global study by Cone Communications/Echo (2013), figure 12 below.

6 banks in Jordan have a clear focus in their CR approach to support business **entrepreneurship** and/or to provide **microfinance** services.

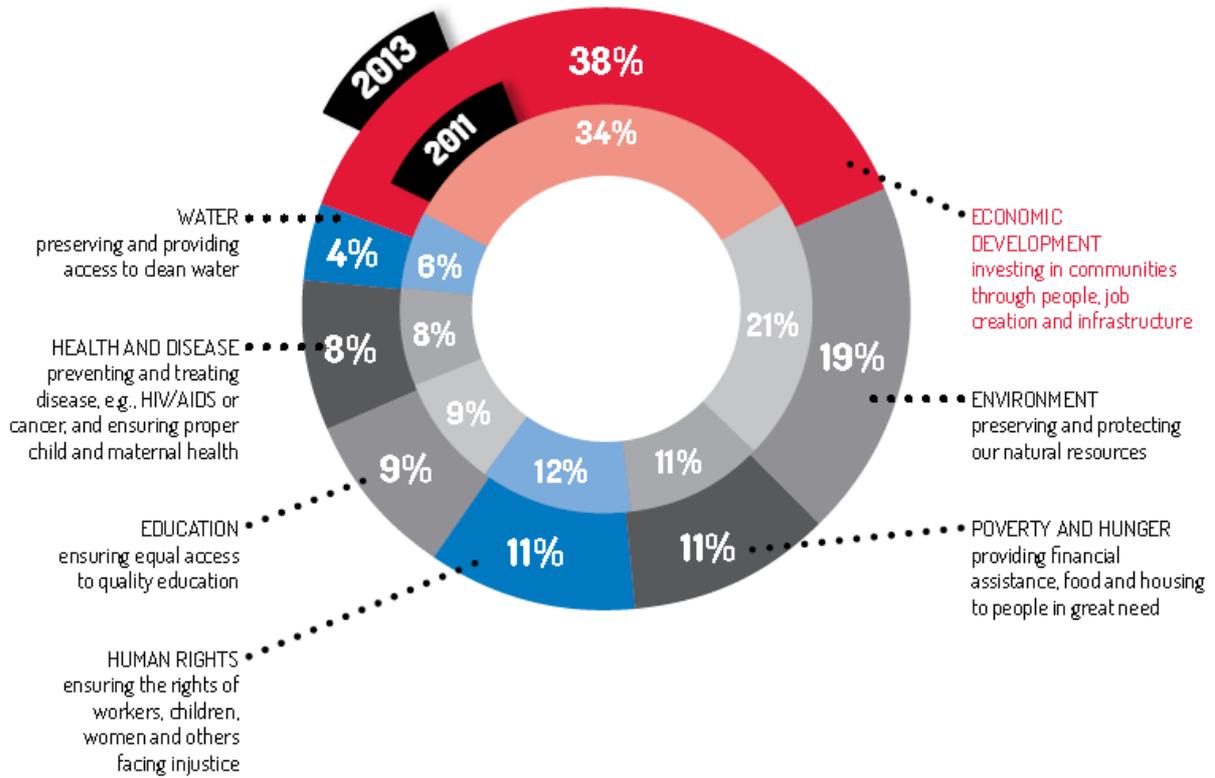


Figure 12: The One issue consumers most want companies to address
Source (Cone Communications/Echo, 2013)

And the question remains about the impact and value of the 35,691,279 JD spent in 2012; have they caused temporary relief of some of the societal pains in Jordan, or have they been seeds of a growing sustainable and scalable social investment with plans and visions for a progressive societal impact.

Nowhere in the disclosed information by banks in Jordan could we find details on impact assessment and specific plans for future development and progress set in measurable social objectives; an area that is worth some thorough consideration in future reports and disclosed information by banks.

GENERAL CONCLUSIONS AND RECOMMENDATIONS

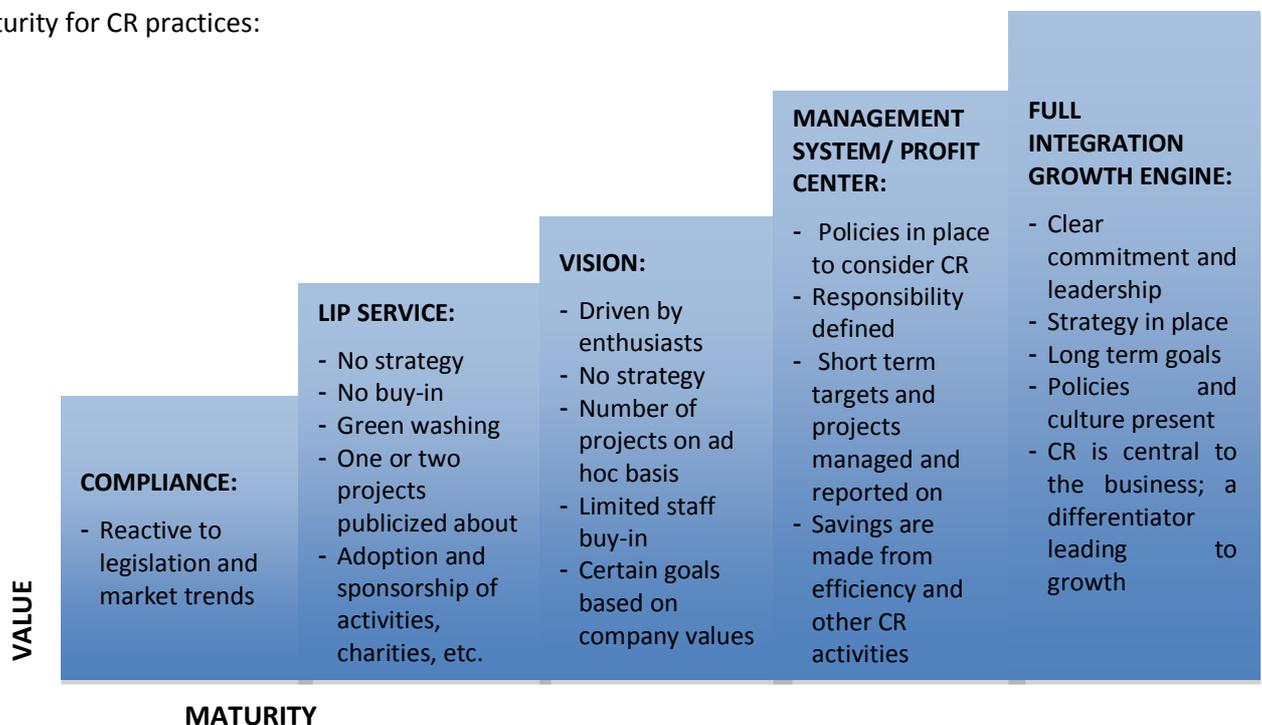
In an attempt to explore CRD in the banking sector in Jordan, this study has provided an analysis of the level of practiced disclosure. While doing so, we were also able to analyze to a large extent the types of CR practices most adopted by banks in Jordan and the social causes mostly supported through such practices.

The study shows a very positive move among banks that are strategically investing in their CR programs ranging from minimum efforts of merely trying to avoid risks, to thinking innovatively and proactively of ways to create business opportunities while serving sustainable development in Jordan; or what the study refers to as opportunities for 'the creation of shared value'. Along the way, banks are picking up on the practice of CRD, albeit in most of the cases it is still not performed according to international reporting standards; good space remains for progress and development on that level.

CR MATURITY LEVEL

In spite of the fact that the study pays most attention to CRD based on published information by banks in Jordan, we can still roughly conclude the level of CR maturity for disclosing banks.

As per the CR Guidelines for the Financial Sector publication (Schema, 2012), there are five levels of maturity for CR practices:



We can conclude from the disclosed information by banks that the majority of reporting banks are more at the Vision maturity level, while very few have disclosed CR strategies and information that indicate a higher maturity level ranging between Management System and Full Integration Growth

Engine. Nevertheless, we realize that while disclosed information might not give a just impression of the actual CR efforts by some banks, we urge banks to be more strategic and keen on their CR-related disclosure and reporting; such practice would reward banks with many benefits and more accurate image that would be formed of banks' CR performance in Jordan.

One could argue that there are many challenges faced regarding CRD, such as lack of buy-in by decision makers, lack of knowledge on how to disclose according to international standards, and in most cases not having a solid CR approach or impressive CR practices to report on. While this argument could be relevant to the current status amongst banks in Jordan, CRD needs not to start where the situation is only shiny and there are great stories to share. CRD is mainly about communicating the bank's commitment to CR, and starting with a systematic reporting approach that covers aspects that are material to the bank and its stakeholders, even if at the first attempt the reported results were humble. While doing so, the bank will build credibility and commit itself towards progressing with its CR efforts and disclosure over the years.

The banking sector by far is one of the most advanced and standardized leading sectors in Jordan and we believe that there is a lot of room for such a vital sector to lead the way in CR and set an example for other sectors to follow. The starting point for any bank would be setting its CR strategy and specifying the CR direction and focus areas to start the journey towards measurable impactful and scalable CR objectives; CRD then would be a benchmark tool to measure and communicate the progress year over year, and maybe even across the sector.

As for the CR practices and adopted social causes, more banks in Jordan should look into ways that generate long-term value for all key stakeholders and the society while planning their CR efforts, in alignment with the banks' main line of business objectives, expertise, capacities, target audience, and market segments. Banks today are moving from the traditional approach of defensive banking by which they attempt to mitigate social and environmental risks, to sustainable banking through which banks capitalize on sustainable development for opportunities to grow and create competitive advantage. Banks in Jordan are not alienated from this global trend and many of them as seen in this study have been taking serious measures to affect a paradigm shift within their operations and extending such a shift to reach their clients and major stakeholders.

RESPONSIBLE BANKING SERVICES/ PRODUCTS

Operating in a developing country as Jordan, social and environmental needs are numerous, which allows banks a wide space for innovative solutions and business models to address local concerns. Notable examples of pressing issues include unemployment; entrepreneurs with low financial means; weak financial awareness amongst many market segments; water scarcity; high cost of energy; and environmental illiteracy. This canvas of social needs can be a platform for innovative responsible

banking services and CR programs that can leverage the economy, benefit society, and return with rewarding results to the banks' business.

New market segments such as carbon market, low income housing, energy and resource efficient projects, amongst others, offer opportunities for banks to have the first-mover advantage and take the lead in innovative responsible banking offerings that would capture the bottom of the pyramid, contribute to sustainable development, and bring in promising positive impact on the banks' business.

Such a trend towards responsible banking offerings would gradually create a shift in the way banks are perceived while catering to market segments that were not previously considered by banks. Furthermore, innovative banking solutions can also create new market segments and needs for responsible banking offerings that stakeholders were not aware of, transforming "non-bankable" market segments into key clients.

PRACTICAL IMPLICATIONS

With rising client awareness regarding CR and the importance of disclosure, it is important for banks to begin profiling their CR efforts as part of their overall corporate and business strategies, as well as an integral part in their strategic operational decision making process. Strategic disclosure, with clear benchmarking and material issues would enforce the credibility and transparency of disclosing banks and reward them in return with stakeholders' buy-in to their CR efforts and investments.

It is of paramount importance as well that media and online disclosure, be it through news or website content, are aligned with the reporting approach, giving weight to similar material issues and focus areas.

At the end of this study, we propose two action points that could add value to the progress of CRD within the banking sector in Jordan:

- The Association of Banks in Jordan to take the lead in proposing an initial form of CR reporting that could serve as a starting step towards more advanced such as GRI standards;
- The Association of Banks in Jordan to issue a Corporate Responsibility Disclosure Index (CRD Index) for banks in Jordan to start being announced as of end of 2014, which would rank banks according to their levels of CRD as per predefined and communicated indicators.

STUDY LIMITATIONS

As most of the study findings are based on reported or disclosed CR information by banks in Jordan, and as there remains a number of banks that have not reported on their CR in the past three years, some findings of this study cannot be generalized, yet remain insightful of the current CR status amongst banks in Jordan. Nevertheless, study findings concerning disclosure are representative of the actual status of CRD amongst banks in Jordan for the years included in the study.

A more comprehensive, qualitative and quantitative empirical research on CR amongst banks in Jordan would provide more detailed information and evidence on the topic, allowing for a broader scope to be covered, with special focus on drivers for CRD by banks. We advise that future studies should collect data from banks and their stakeholders via interviews and surveys in an attempt to keep a monitor on banks' CRD and CR in general for this vital sector.

INDEX I: BANKS IN JORDAN

JORDANIAN/LOCAL COMMERCIAL BANKS
Arab Bank PLC
Arab Banking Corporation - Jordan
Arab Jordan Investment Bank
Bank of Jordan PLC
Cairo Amman Bank
Capital Bank of Jordan
Jordan Commercial Bank
Investbank
Jordan Kuwait Bank
Jordan Ahli Bank
Societe General de Banque - Jordanie
The Housing Bank for Trade and Finance
Bank Al Etihad
FOREIGN COMMERCIAL BANKS
Standard Chartered (<i>referred to as multinational in the study</i>)
Egyptian Arab Land Bank (<i>referred to as regional in the study</i>)
HSBC Bank Middle East (<i>referred to as multinational in the study</i>)

Citi Bank (<i>referred to as multinational in the study</i>)
Rafidain Bank (<i>referred to as regional in the study</i>)
National Bank of Kuwait (<i>referred to as regional in the study</i>)
Banque Audi - Sardar Group (<i>referred to as regional in the study</i>)
Blom Bank (<i>referred to as regional in the study</i>)
National Bank of Abu Dhabi (<i>referred to as regional in the study</i>)
JORDANIAN ISLAMIC BANKS
Islamic International Arab Bank PLC
Jordan Islamic Bank
Jordan Dubai Islamic Bank
FOREIGN ISLAMIC BANKS
Al Rajihi Bank (<i>referred to as regional in the study</i>)

INDEX II: PUBLISHED CR/ SUSTAINABILITY

JORDANIAN/LOCAL COMMERCIAL BANKS	2012	2011	2010
Arab Bank PLC	√	√	√
Arab Banking Corporation - Jordan			
Arab Jordan Investment Bank			
Bank of Jordan PLC			
Cairo Amman Bank			
Capital Bank of Jordan			
Jordan Commercial Bank			
Investbank			
Jordan Kuwait Bank		√	√
Jordan Ahli Bank	√	√	
Societe General de Banque - Jordanie			
The Housing Bank for Trade and Finance			
Bank Al Etihad			
FOREIGN COMMERCIAL BANKS			
Standard Chartered	√		
Egyptian Arab Land Bank			

HSBC Bank Middle East	√	√	√
Citi Bank		√	
Rafidain Bank			
National Bank of Kuwait	√	√	√
Banque Audi - Sardar Group		√	
Blom Bank			
National Bank of Abu Dhabi		√	√
JORDANIAN ISLAMIC BANKS			
Islamic International Arab Bank PLC			
Jordan Islamic Bank	√		
Jordan Dubai Islamic Bank			
FOREIGN ISLAMIC BANKS			
Al Rajihi Bank			

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