

From Zakat to Sustainable Corporate Giving

Presented to: First Corporate Social Responsibility in the Banking Sector Symposium

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Question

Did any form of responsibility exist prior to modern conceptions of CSR?

Religion, Ethics and Business

- Religious teaching of all denominations, provides a basis for ethical judgement on economic relations and business
- Companies are the agents of the market
- They have the choices about how they act
- Their behaviour is critiqued at two levels
 - As part of the free market system as a whole
 - Individual company practice in relation to its stakeholders
- Voluntary charitable giving is very important in all religions but especially so in Islam

Types of Islamic Charitable Giving

Zakat: a charitable obligation, generally calculated at 2.5 percent of wealth of certain categories (excluding, for example, fixed equipment and jewelry that is worn), paid at the end of the Ramadan fast. There are elaborate rules for calculating Zakat obligations.

Sadaqa: voluntary or discretionary charity, not necessarily monetary in nature. Recipients need not be Muslim.

Kaffara: a penitential charitable contribution for the breaking of an oath.

Khoms: a charitable obligation of Shi'a Muslims, calculated at 20 percent of annual profits or 20 percent of income above and beyond living requirements.

Business in Islam & the Community

- Charitable giving is one of the five pillars of Islam
- It binds the community together
- 'Zakat' tax is the means of **re-distribution**
- Usually collected by governments e.g Saudi Arabia, Kuwait
- Nowadays left to **individual** believer
- Vast majority of firms are family firms
- The role of **corporate** giving as opposed to individual giving is unclear and needs definition – 1% of profits is a minimum

**The magnitude of
philanthropic giving in
Muslim communities is
estimated to total of
\$500 billion annually**

USAID Publications- The Muslim World Series (2007)

*However, shifting from the mindset of individual-giving to a broader belief of **‘sustainable corporate giving’** is a tough challenge for the business practitioners*



PEOPLE PLANET PROFIT

CSR and Islamic Business Ethics

State of CSR in the MENA

46% better **image and reputation**

45% desire to preserve the **environment**

44% top management **values and beliefs**

42% CSR **increases productivity**

41% better relationship with the **government**

40% contributes to **employee loyalty**

34% comply with Islamic values and practices of **Zakat**

Human Rights

Social Capital

The support and respect of the protection of international human rights

The refusal to participate or condone human rights abuses.

Islam

Right to life

Right to a basic standard of living

The Right to Individual Freedom

Freedom of expression

Freedom of belief

Labour Rights

Human Capital

The support of freedom of association and the recognition of the right to collective bargaining;

The abolition of compulsory labour;

5: The abolition of child labour;

6: The elimination of discrimination in employment and occupation.

Islam

Hiring someone for unspecified work is invalid.

The effort required must be stipulated, and workers should not be overburdened

Wages must be paid and slavery is discouraged

Working conditions must be safe.

Environment

Natural Capital

The implementation of a precautionary and effective program to environmental issues;

Initiatives that demonstrate environmental responsibility;

The promotion of the diffusion of environmentally friendly technologies.

Islam

Nature belongs to Allah and not to Man

Islam encourages moderation, conservation and discourages waste

Anti-Corruption and Governance

Economic Capital

The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.

Islam

Corruption is forbidden

Shari'a contractual ethics

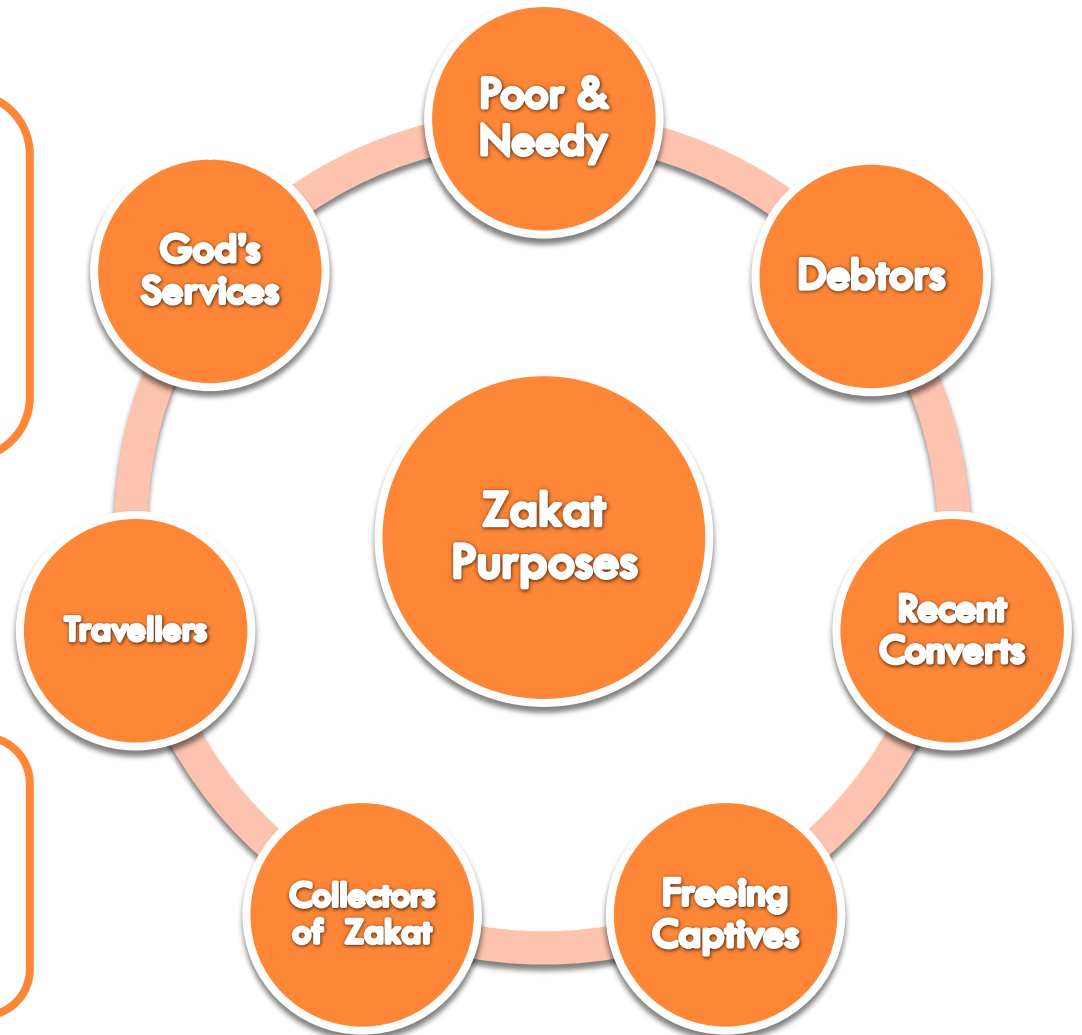


Zakat as a CSR and Sustainability Tool

Traditional Purposes of Zakat

Zakat is only ordained for seven types of charitable purposes

Zakat is essentially the minimum safety net for the bare essentials.



Law and Order

- Kuwaiti shareholding companies are subjected to **Zakat @ 1%** of the net annual profits on the share of profit of GCC shareholders
- Saudi and GCC share in a Saudi company is subject to **Zakat @ 2.5%**

Research demonstrates that Zakat, even if fully applied cannot address wealth redistribution appropriately.



If it does not empower people and alleviate poverty then it hasn't served its purpose

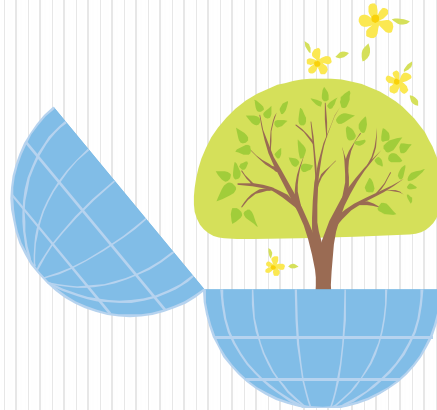
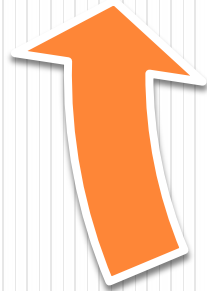
*The traditional purview of Zakat being only 'philanthropy' is gradually getting expanded to the well-being of **PEOPLE, CARE FOR THE PLANET AND INCREASED PROFITS***

Zakat in the 21st Century



Co-management of projects

Funding Vehicle for Local Community Projects



**Local Jobs
Locally developed projects**

**Education
Agriculture
Eco Projects
Public Health
Job/vocational Training**



Thank You
