



BAHRAIN RESPONSIBLE BUSINESS SURVEY 2012

ACKNOWLEDGEMENTS

We would like to thank [Arabic Knowledge@Wharton](#) for supporting us as a media partner in this study. We would especially like to thank Pankaj Paul and Rahilla Zafar. We would also like to thank Rama Chakaki of Baraka Ventures for introducing us.



To all those who took the time to participate in our survey: our deepest thanks and appreciation. We realize it was a long survey and that your time is valuable. We would like to also thank those who distributed the survey through their contacts and social media.

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FOREWORD

Since we established [3BL 'Triple Bottom Line' Associates](#) in 2010, we have faced many challenges. Some unexpected, and others anticipated. As Bahrain's first social impact and sustainability consultancy and think-do-tank, we have experienced the added challenge of creating a new market in a region in which corporate social responsibility (CSR) has been largely viewed through a marketing-donations-sponsorship lens; and sustainability an after-thought or weekend beach clean-up.

I have cringed as I have heard other practitioners erroneously inform students and the business community that CSR is nothing more than donating 2 per cent of profits to charity—similar to the Islamic practice of *zakat*. Or that a CSR policy is simply a system for evaluating sponsorship requests.

Ultimately—whatever terms you choose to label it (CSR, Corporate Citizenship, Corporate Sustainability etc.)—social responsibility is not something you *do*; it is something you *are*. It is not what an organization does with its profits, but rather, how it makes them. It is not something that is the responsibility of one department; it is embedded throughout an entire organization: in HR policies, the health and safety of employees, supply chain, engagement with the local community, sustainable consumption, financial and governance decisions, new product or service innovations, and so on and so forth.

As we embarked on our sustainability adventure, one of our first stops was to increase awareness of social responsibility and sustainability—framing each as both strategic and value adding. Realizing there was sparse regional or locally specific research on the topic, we decided to produce the first *Bahrain Responsible Business Survey*.

We are thrilled and grateful that Arabic Knowledge@Wharton, the online journal of the Wharton School of Business, has supported us as a media partner in this important study, lending this topic the weight and credibility it deserves.

CSR and sustainability have far more value than just “doing good”. Such practices have the potential to raise Bahrain's rankings on a number of indices. As Bahrain climbs the [Global Competitiveness Index](#), responsible business practices will enhance Bahrain's performance in the First Pillar on Institutions, the Fifth Pillar on Higher Education and Training, and the Seventh Pillar on Labour Market Efficiency. Bahrain's ranking on the [Global Gender Gap Report](#) in terms of economic participation—particularly the gaps in senior positions, wages and leadership levels—would also improve. As would our ranking on numerous environmental indices.

According to the [UNCTAD 2011 World Investment Report](#), CSR standards can help governments maximize development benefits. Current trends in both developing and developed countries suggest that it is time to mainstream CSR into national policies and international trade and investment regimes. Two critical components of this mix will be improved CSR reporting by companies (to better inform future policy development), and strengthened capacity-building programs (to assist developing country enterprises to meet international best practices in this area).

FOREWORD

Against the backdrop of the Rio+20 UN Sustainable Development Summit—an outcome of which is the development of Sustainable Development Goals (SDGs), which will build upon the Millennium Development Goals and converge with the post 2015 development agenda. And the UNFCCC (United Nations Framework Convention on Climate Change) COP 18 convened in Doha—and held in the MENA region for the first time. It is now timelier than ever for Bahrain to drive sustainable capitalism that creates environmental, social, and economic prosperity in tandem. In fact, sustainability is one of the three pillars of the Economic Vision 2030. And Bahrain, unlike larger economies, has the advantage and agility to mobilize faster and leapfrog into a more sustainable future.

As the former Saudi oil minister, Ahmed Zaki Yamani famously said, "The Stone Age came to an end not for a lack of stones and the oil age will end, but not for a lack of oil."

It is our hope that this report will inspire conversations in every boardroom in Bahrain—large and small—and that social responsibility and sustainability will climb the policy agenda in 2013. What will your legacy be?

Leena Al Olaimy

Co-Founder & Managing Director

3BL Associates Consultancy

EXECUTIVE SUMMARY

A total of 109 respondents completed the Bahrain Responsible Business survey, the greatest segment of whom were Bahraini males aged between 25-54 years old. The largest single industry sector represented was the finance sector, making up 17 per cent of respondents. This is expected given that the finance sector contributes around 25 per cent of Bahrain's GDP.

Most respondents believed they understood CSR and sustainability, with 84 per cent and 80 per cent respectively saying they could explain either concept. Those able to explain the concept of a 'triple bottom line'—a term coined by British academic and sustainability pioneer, [John Elkington](#), in the 1990s, formed the smallest percentage of respondents at only 27 per cent.

The most popular understanding of CSR—chosen by 87 per cent of respondents—was community engagement. Yet despite the understanding of CSR and sustainability, a gap remains in practice and implementation. In fact, the percentage of respondents who believed that any given activity was part of social responsibility was higher in every instance, than the actual practice of that same CSR activity in respondents' organizations.

One of the largest gaps between CSR understanding and implementation is a 45 per cent gap between the recognition that environmental protection is part of CSR, and the actual practice of environmental protection CSR initiatives.

This is somewhat disconcerting given that Bahrain is one of the highest carbon emitters per capita and is at risk from the associated threats of climate change. According to the 1st Bahrain communication report on Climate Change in Bahrain nearly 10 per cent of Bahrain's area will be submerged in 2100 if sea level rise is only 1 metre.

Moreover, the World Bank warned in its 2012 report on [Adaptation to a Changing Climate in the Arab Countries](#), that sea-level rise threatens small island nations such as Bahrain, with storm surges, saltwater intrusion, and flooding.

One of the largest gaps between CSR understanding and implementation is the recognition that environmental protection is part of CSR, and the actual practice of environmental protection.

Climate threats directly impacting Bahrain include water and food security, which are crucial to the livelihood and self-sufficiency of Bahraini society. Agriculture currently contributes less than 0.5 per cent to our GDP; and water desalination—which accounts for all of Bahrain's water supply—is both capital and energy intensive. Energy subsidies are almost BD 1 billion (\$US 2.7 billion) a year, which has encouraged unsustainable over-consumption, and delayed investments in a post-oil (greener) economy.

The most prevalent CSR activities—practiced by at least one third of respondents' organizations—are: Community Engagement, Employee Wellness, Transparency, Corporate Governance, Health and Safety, and Gender Equality and Diversity.

Survey respondents largely want to work for ethical organizations with 83 per cent saying they wanted to work for or own a company that is ethical and shared their values. The least important consideration, however, was the environment: only 55 per cent cared whether the company they worked for or owned is environmentally responsible—despite the fact that almost 70 per cent of respondents considered the environment a component of CSR.

Multi-national corporations, and large companies are the most engaged in CSR and sustainability, with 86 per cent and 77 per cent of respondents in those respective segments saying their organizations practiced CSR and sustainability. Surprisingly, the second most

engaged group of respondents by company size was small companies, with 67 per cent of this segment saying their organizations practiced CSR.

None of the respondents in the construction, architecture, and interior design industries practiced CSR and sustainability. Construction is arguably the local industry most in need of CSR in view of poor labour conditions, human rights of migrant workers, and a crucial role in creating sustainable cities and communities.

CSR is not in the mindset of executives with 54 per cent of respondents saying their organization did not practice CSR and sustainability either because it is not a shareholder priority, or not management's priority. The economic outlook also remains a concern with 23 per cent saying they lacked the financial resources for CSR. This demonstrates a clear need for educating executive management on the business benefits and strategic value of CSR and sustainability—including revenue generation, cost reduction, efficiency optimization, and risk mitigation.

However, SMEs make up over 95 per cent of Bahrain's private sector. While this is true of most domestic economies, the definition of an SME in Bahrain is much smaller than in the global north. A large enterprise in Bahrain is defined by Tamkeen (Labour Fund) as having more than 250 employees and greater than BD 5 million (approx. \$US 13.3 million or €10 million). Whereas, by an OECD definition, €10 million turnover would be considered a small enterprise. Therefore, many companies are unsure how to apply and reap the benefits of corporate sustainability without the scale of larger companies.

The most prevalent CSR activities are: Community Engagement, Employee Wellness, Transparency, Corporate Governance, Health and Safety, and Gender Equality and Diversity

Encouragingly, 98 per cent of respondents agreed to some degree that sustainability and social responsibility initiatives could be strategically aligned with corporate strategy and organizational objectives to create a win-win situation for both business and society or the environment.

For example, respondents believed the number one challenge faced by their organizations is attracting and retaining talent (48 per cent), and 91 per cent believed that CSR could help organizations attract and retain talent.

Currently however, the primary CSR and sustainability driver is feeling a sense of moral responsibility to give back to the community (72 per cent of respondents). The second most influential CSR drivers are: enhancing transparency and accountability, publicity/ enhancing brand reputation, and strengthening community relations—each chosen by 45 per cent of respondents.

More than half of respondents had never heard of some of the most widespread CSR and sustainability frameworks and guidelines such as the Global Reporting Initiative (GRI), and the United Nations Global Compact. This suggests that there is limited monitoring and reporting on such initiatives, or knowledge of how to monitor and measure social and sustainability performance. When asked whether or not their organizations currently published CSR or Sustainability reports, 65 per cent of respondents said their organizations did not, and almost half of respondents (48 per cent) said they did not believe that their organizations would in the near future. Comparatively, two thirds of Fortune 500 companies report on sustainability.

Interestingly, respondents favoured government interventions regarding CSR: almost 80 per cent believed there should be government regulations requiring companies to implement CSR. While, 95 per cent believe the government should provide incentives for companies to implement CSR. And around 83 per cent of respondents agreed to some degree, that there should be government funding to support CSR.

In addition to the public sector's role in incentivizing CSR, an overwhelming 97 per cent of respondents believed in the private sector's ability to address important social issues facing Bahrain through CSR.

Bahrain's most pressing social issues in order of importance, according to respondents, are: Education Reform, Job Creation and Innovation, Corruption, Environmental Conservation, and Housing Shortages. Although the political unrest in Bahrain has caused significant social fragmentation, social cohesion was the seventh most important issue. The Advertising, Marketing and Communications industry was perceived to have the greatest potential to strengthen social cohesion.

97 per cent of respondents believed in the private sector's ability to address important social issues facing Bahrain through CSR.

Overall, 88 per cent of respondents agreed that CSR and Sustainability would be either imperative or very important in the 21st century. Youth aged 18-24 years unanimously agreed on the sustainability imperative, which bodes well for the future responsible business landscape of Bahrain.

INTRODUCTION

A NASCENT UNDERSTANDING OF CSR

Unlike many companies in the West that initially adopted Corporate Social Responsibility (CSR) to atone for their unethical practices and to respond to public pressure to be more responsible corporate citizens; we posited that companies in Bahrain adopted CSR for two primary reasons: (1) cultural goodwill and religious obligation; (2) public relations and publicity purposes.

Community engagement is mostly limited to traditional philanthropic and/or volunteerism models of CSR. Sustainability and social responsibility initiatives are often ad hoc and disconnected from corporate strategy. They are seldom viewed as a business opportunity, which can—if implemented strategically—create a win-win for both business and society by generating sustainable value, rather than perpetuating a donor-receiver model.

[3BL 'Triple Bottom Line' Associates](#), Bahrain's first social impact and sustainability consultancy and think-do-tank, set out to conduct research to produce the first annual ***Bahrain Responsible Business Survey*** in 2012.

Our survey sought to identify the level of local CSR practices and perceptions. Our objectives were to: -

- 1) **Identify** the understanding of responsible business, and the maturity level of CSR practices in the Kingdom of Bahrain.
- 2) **Frame** responsible business as a strategic issue and demonstrate that value creation and responsible business are in fact mutually enforcing.
- 3) **Stimulate** intellectual discourse on socially responsible business in Bahrain, and contribute to the sparse locally specific available literature on the topic.

We were delighted that [Arabic Knowledge@Wharton](#), the online journal of the Ivy League Wharton School of Business, has supported us as a media partner in this important study.

METHODOLOGY

Survey Methodology

We conducted an online survey of responsible business practices and perceptions in Bahrain, which was circulated via online and social media. The voluntary survey consisted of 33 sets of questions, including demographic questions, and started with a validation question to confirm respondents were working in Bahrain. The questions consisted of single, fixed number and 'all that apply' multiple choice, semantic differential scale, matrix; and branching was applied to certain questions.

Survey Sample

The total number of respondents that completed the survey was 109. This represents a 95 per cent confidence level with a +/- 9.4 per cent margin of error, based on Bahrain's working population statistics for 2011 by the [Labour Market Regulatory Authority \(LMRA\)](#).

While we would have liked to expand the scope of this study, we were unable to secure research grants; therefore this research was fully funded by [3BL Associates](#). This posed a number of limitations.

Data

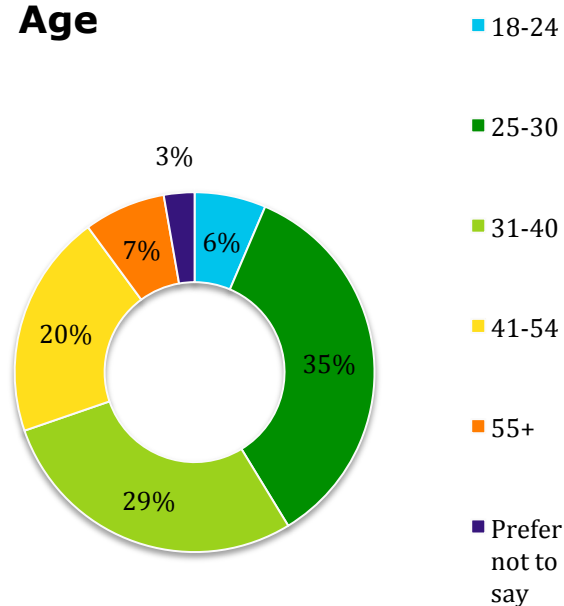
Survey data may not add up to 100 per cent due to rounding.

Survey Limitations

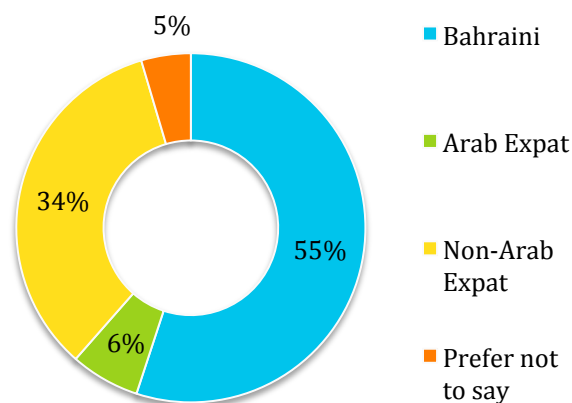
- The survey was not provided in Arabic.
- Several sectors were not represented among respondents, including: travel and tourism, sports and leisure, pharmaceuticals and medical products, infrastructure, electronics, design, chemicals, automotive.
- Respondents may not have always been aware of organizational decisions at the most senior level since this was not an executive survey.
- There may have been an element of a self-selection bias i.e. many didn't respond because they didn't think CSR applied to them; whereas, those who did respond had an interest and better overall understanding of responsible business. To that end, 62 per cent of respondents were interested in receiving further communications from us on the results of the survey, and on CSR and sustainability news in general.
- The survey took approximately 20 minutes to complete which is quite long and resulted in a 50 per cent dropout rate.
- Since we primarily anticipated private sector respondents, the survey did not include the 'public' and 'education' sectors, which were selected as 'other' by some of the respondents.

ABOUT THE RESPONDENTS

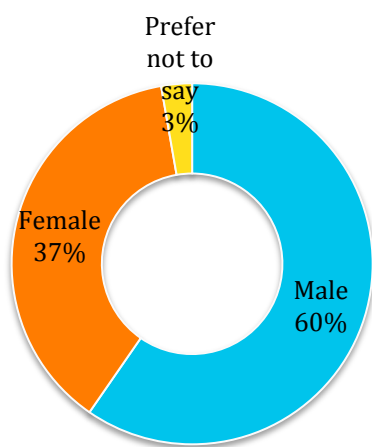
Age



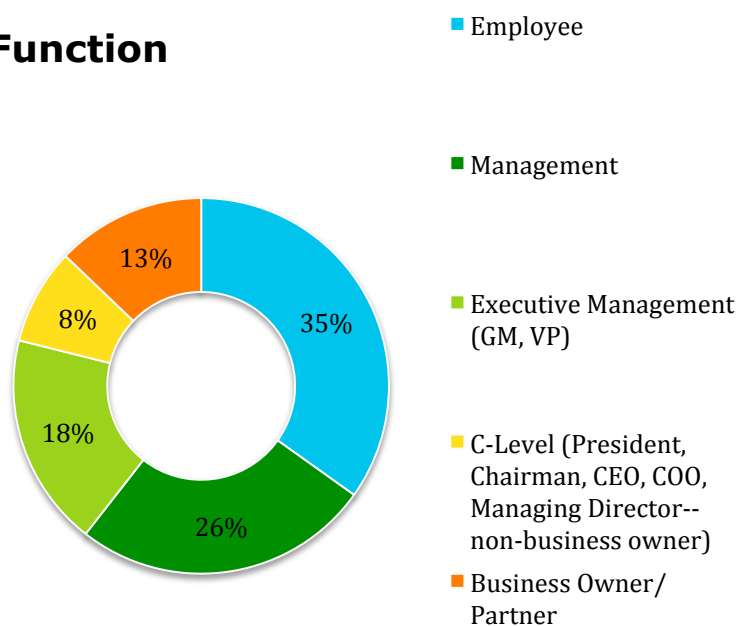
Nationality



Sex

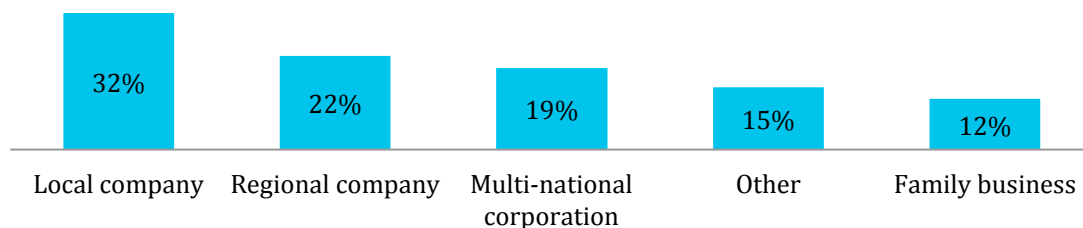


Function

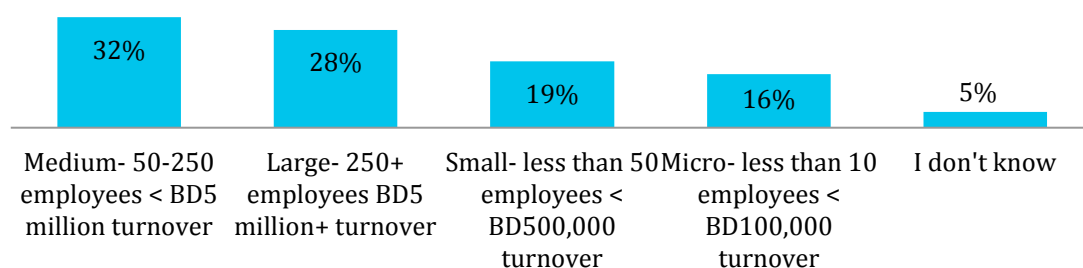


A total of 109 respondents completed the full survey, the majority of whom were Bahraini males aged between 25-54 years old. At 35 per cent, over a third of respondents were employees. Non-business owner C-Level Executives were the least represented at only 8 per cent.

Type of Organization



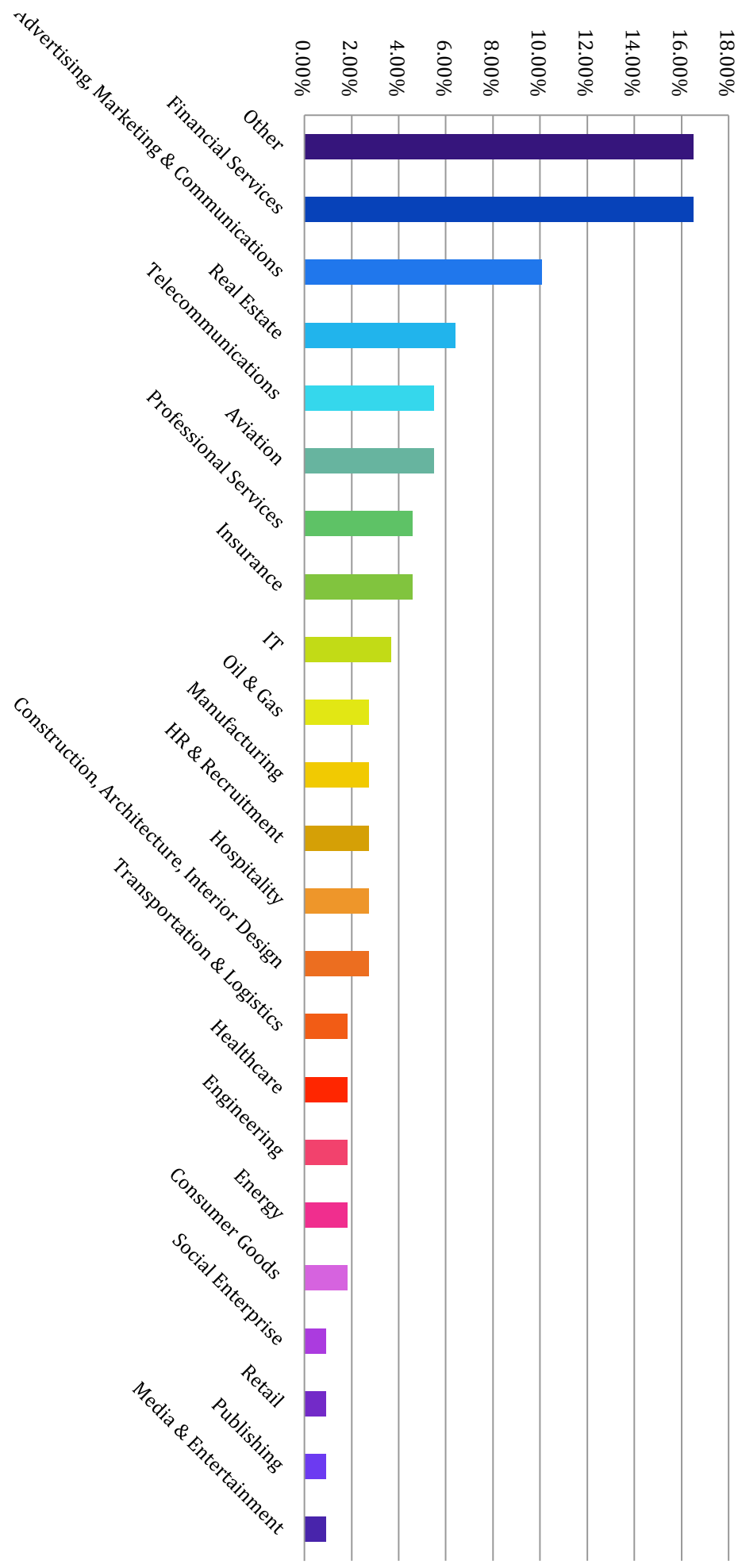
Size of Organization



Almost a third of respondents (32 per cent) worked for local companies, 22 per cent worked for regional companies, and 19 per cent worked for multi-national corporations. Despite the prevalence of family businesses in the Gulf region, only 12 per cent of respondents came from this sector.

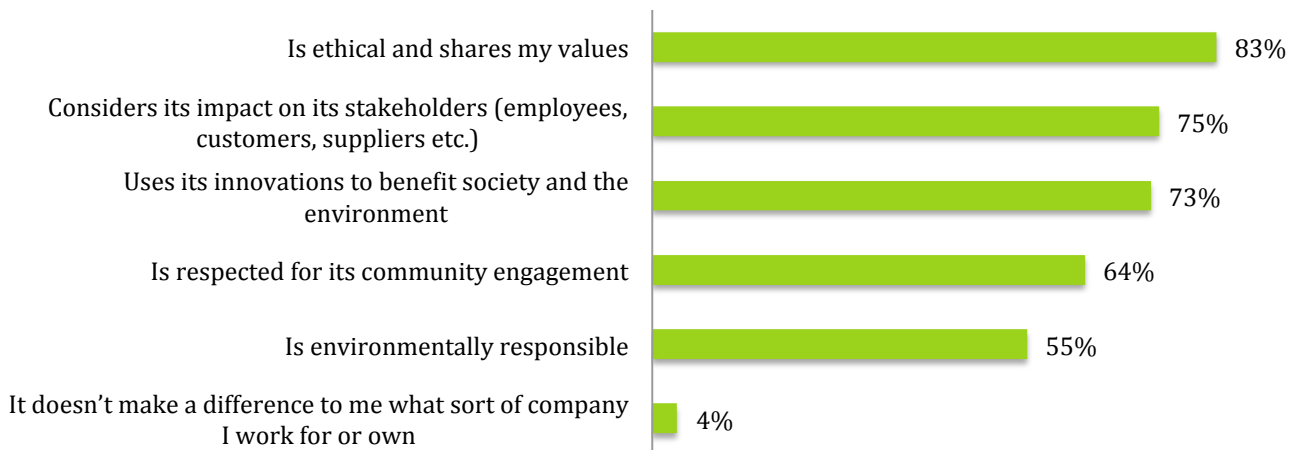
Around 16 per cent of respondents worked for micro-enterprises, while almost a third of respondents (32 per cent) worked for medium size enterprises. Although SMEs make up over 95 per cent of Bahrain's economy, more than a quarter (28 per cent) of survey respondents work for large companies.

Industry Sector



RESULTS

Exhibit 1: Type of Organization Respondents Want to Work for or Own



We Want to Work for Ethical Organizations with Values That Mirror Our Own.

Respondents were asked to select all that applied in terms of the type of company they wanted to work for or own. Collectively, 83 per cent of respondents wanted to work for or own a company that is ethical and shared their values. This was the case for 100 per cent of Executive Management (GM, VP level) respondents.

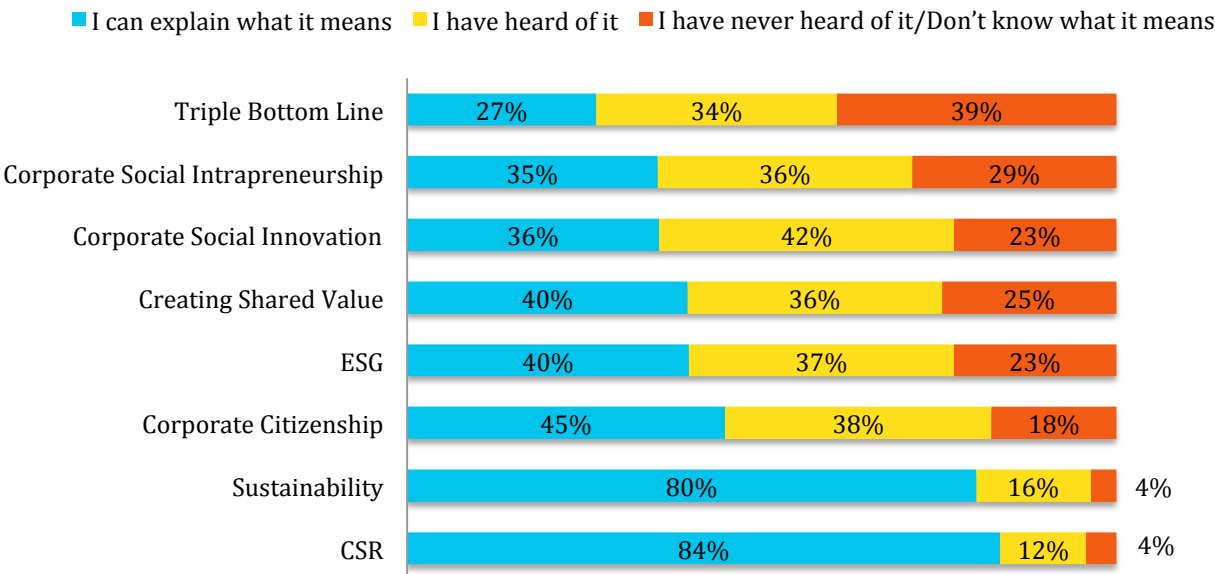
The breakdown is as follows: Considering its impact on its stakeholders such as employees, suppliers, the community etc. (75 per cent); Applies its innovations to benefit humanity (73 per cent); Is respected for its community engagement (64 per cent). The least important consideration was the environment: 55 per cent cared whether the company they worked for or owned was environmentally responsible—despite the fact that almost 70 per cent of respondents considered the environment a component of CSR as shown in Exhibit 3.

The group of respondents that cared the most about the environmental responsibility of their company was non-Arab expats (81 per cent). This is perhaps an indication that they are influenced by more advanced/mature environmental responsibility among international companies, or more rigorous international environmental policies.

Large company respondents were the most concerned about their impact on their stakeholders (90 per cent), and using their innovations to benefit society (77 per cent).

Only 4 per cent of respondents didn't care what type of company they worked for.

Exhibit 2: Understanding Corporate Responsibility & Sustainability



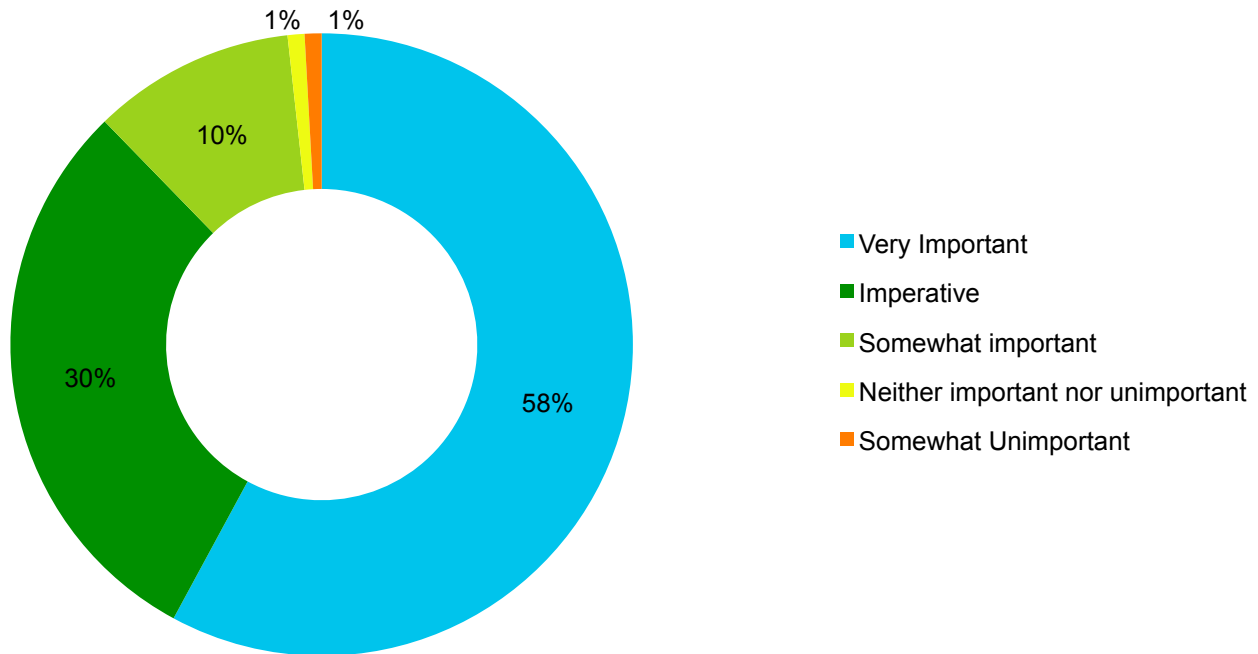
Respondents Understand Corporate Responsibility and Sustainability, But What's a Triple Bottom Line...?

Most respondents believed they understood CSR and sustainability, with 84 per cent and 80 per cent respectively saying they could explain either concept. Those able to explain the concept of a 'triple bottom line'—a term coined by British academic and sustainability leader, [John Elkington](#) in the 1990s—formed the smallest percentage of respondents at only 27 per cent.

Over 75 per cent of respondents had heard of [Creating Shared Value \(CSV\)](#); a concept which gained international acclaim after an article by the same title was co-written by Harvard Professor Michael E. Porter and Mark R. Kramer, and published in the January 2011 Harvard Business Review.

Around 77 per cent of respondents had heard of Corporate Social Innovation; while around 71 per cent had heard of Corporate Social Intrapreneurship—though no such examples exist in Bahrain. One may consider [Accenture's Development Partnerships](#) an example of the latter, and [Thomson Reuter's Market Light](#) service an example of the former.

Exhibit 4: How Important Will Sustainability & CSR be in the 21st Century?

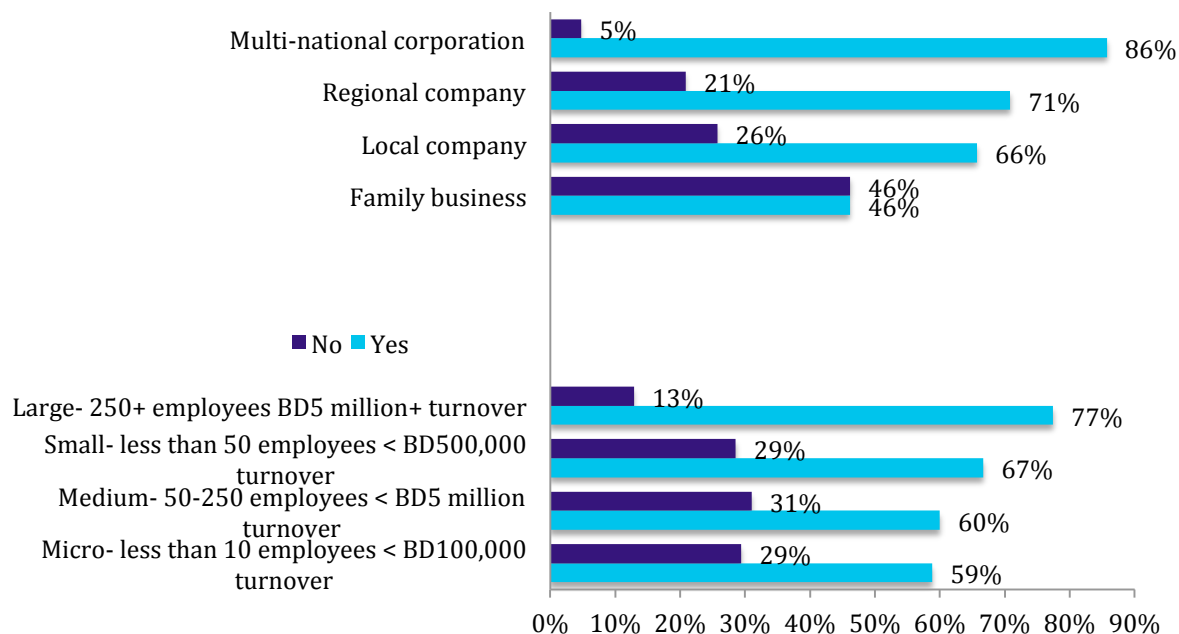


Youth Unanimously Agree on Importance of CSR & Sustainability

The majority of respondents (88 per cent) believed CSR and sustainability would be either imperative or very important in the 21st century. This included 100 per cent of respondents aged 18-24 years—boding well for Bahrain’s more sustainable and responsible future business landscape.

“There are so many CSR initiatives here in Bahrain, yet the business community is not laying a foundation for long-term sustainability, which requires greater awareness among youth to carry on a sustainable future.”

Exhibit 5: Who Practices CSR & Sustainability?



* Respondents who answered 'Other' or 'I don't know' are not shown.

Small Enterprises More Engaged in CSR than Medium Enterprises

Multi-national corporations, and large companies (250 or more employees, BD 5 million or more turnover) were the most engaged in CSR and sustainability, with 86 per cent and 77 per cent of respondents in those segments respectively saying their organizations practiced CSR and sustainability. Interestingly, the second most engaged group of respondents by company size was small companies (less than 50 employees, less than BD 500,000 turnover), with 67 per cent of respondents in that segment practicing CSR. Only 46 per cent of family businesses—which represent a significant part of the private sector in Bahrain—practiced CSR and sustainability.

One hundred per cent of respondent organizations in the following industries, practiced CSR and sustainability: Engineering, Healthcare, HR & Recruitment, Telecommunications, Transportation & Logistics.

Among Financial Services industry respondents, 67 per cent said their organizations practiced CSR and sustainability. While none of the respondents in the Construction, Architecture and Design industries—arguably the local industry most in need of CSR in view of poor labour conditions and human rights of migrant workers—practiced CSR and sustainability.

Exhibit 6: Why We Don't Practice CSR & Sustainability



* Respondents who answered 'Other' or 'I don't know' are not shown.

** Respondents were asked to select all that applied.

CSR: Not in the Mindset of Executives

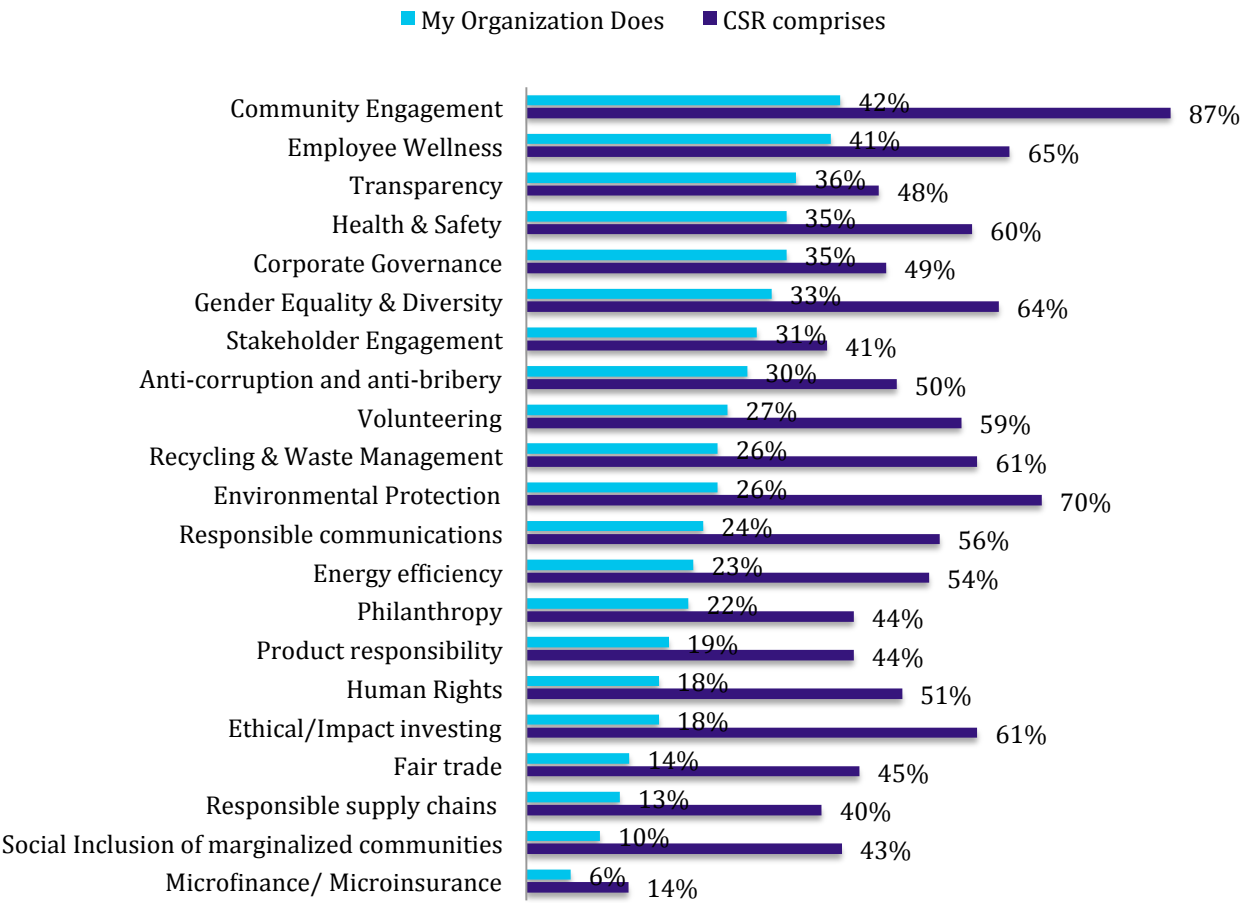
The top three reasons given by respondents for not practicing CRS and sustainability were: (1) Not a shareholder priority (28 per cent); (2) Not management's priority (26 per cent); and (3) We lack the financial resources (23 per cent). Shareholders and executive management clearly need to be educated on the business benefits and strategic value of CSR and sustainability—including revenue generation, cost reduction, efficiency optimization, and risk mitigation.

“Management and employees do not have a proper understanding of CSR, nor do they realise its impact.”

“We do practice CSR globally, however there is limited focus in the offices in the Gulf region, due to a lack to understanding.”

“I think the importance of CSR hasn't been made clear to the region; right now they are all solely profit driven.”

Exhibit 7: Comparison: Understanding of CSR & How it is Practiced



* Respondents who answered 'Other' or 'I don't know' are not shown.
** Respondents were asked to select all that applied.

There's a Gap Between CSR Understanding & Practice

The cluster chart compares what respondents believed CSR to encompass (Exhibit 3), and what respondents' organizations actually practiced in terms of CSR.

The percentage of respondents who believed that any given activity was part of social responsibility, was higher in every instance, than the actual practice of that same CSR activity in respondents' organizations. For example, while 70 per cent of respondents considered volunteerism to be a part of CSR, only 27 per cent of respondents' organizations actually engaged in volunteerism. This shows a gap between what employees understand CSR to comprise, and what is actually practiced in their organizations. One of the largest gaps between CSR practice and understanding was a 45 per cent gap for environmental protection. The average gap between practice and understanding was 29 per cent.

The most prevalent CSR activities, which were practiced by at least one third of respondents' organizations were: Community Engagement (42 per cent), Employee Wellness (41 per cent), Transparency (36 per cent), Corporate Governance (35 per cent), Health & Safety (35 per cent), and Gender Equality & Diversity (33 per cent).

The least practiced CSR activities were microfinance/micro-insurance (6 per cent), social inclusion of marginalized communities (10 per cent) and responsible supply chain management (13 per cent).

“With global markets leaning towards the concept of responsible capitalism, I think businesses in emerging markets have a unique opportunity to leverage this to their strategic advantage by re-designing their core strategy as they grow.”

Table 1: Why Organizations Practice CSR & Sustainability

1.	Moral responsibility to give back to community	72%
2.	Enhance transparency and accountability	45%
3.	Publicity/Enhance our brand reputation	45%
4.	Strengthen community relations	45%
5.	Increase customer loyalty	41%
6.	Promote Employee motivation and pride of association	41%
7.	Enhance operational efficiency	35%
8.	To address critical social and environmental issues	30%
9.	Attract and retain bright talent to our organization	28%
10.	Compliance with local/international regulations	28%
11.	My organization doesn't practice sustainability or social responsibility	27%
12.	Attract investment	23%
13.	Manage social and environmental risks to ensure long-term viability	23%
14.	Religious responsibility (i.e. <i>zakat</i> , <i>hima</i>)	22%
15.	To promote organizational innovation	22%
16.	To reduce costs	14%
17.	Compensate for our organization's negative effects on society/environment	11%
18.	Product Differentiation	8%
19.	To create new products/services and increase revenue	5%
20.	Recognition on responsible business exchanges (e.g. FTSE4Good, Dow Jones Sustainability Index)	4%

* Respondents who answered 'Other' are not shown.

** Respondents were asked to select five only.

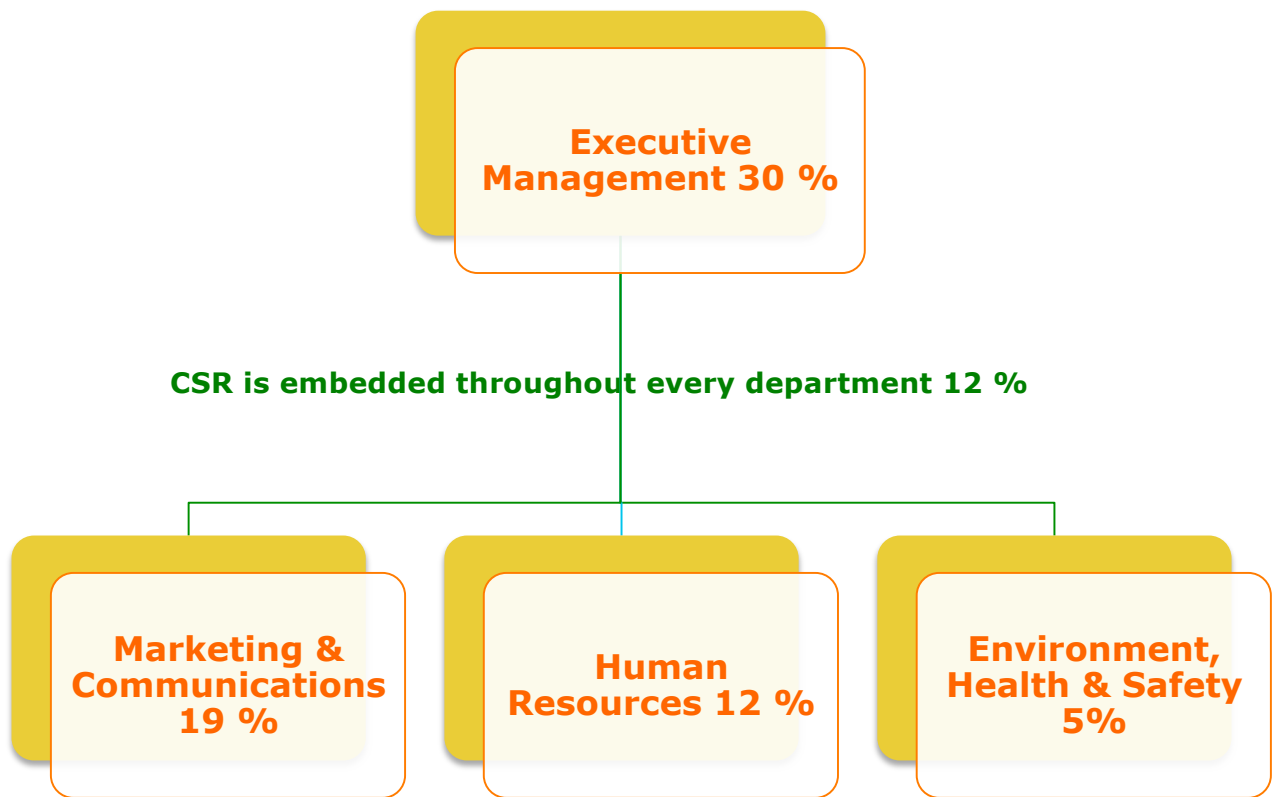
Moral Responsibility = Number One Driver of CSR & Sustainability in Bahrain

The primary reason respondents believed their organizations practiced CSR and sustainability was due to a sense of moral responsibility to give back to the community (72 per cent). Interestingly, the primary CSR driver for small company respondents was enhancing transparency and accountability (chosen by 43 per cent of small company respondents).

Overall; enhancing transparency and accountability, publicity/ enhancing brand reputation, and strengthening community relations were the second most influential CSR drivers—each chosen by 45 per cent of respondents.

For multinational corporations, compliance with local and international regulations was the primary driver behind CSR and sustainability (43 per cent). Whereas, creating new products or services to increase revenue was the least significant reason—chosen by 0 per cent of MNCs and only 8 per cent of overall respondents. For regional companies, the primary motivator was promoting employee motivation and pride of association (42 per cent). Managing social and environmental risks to ensure long-term viability was the least significant reason—chosen by none of the regional company respondents.

Exhibit 8: Where Does the Function of CSR Reside?



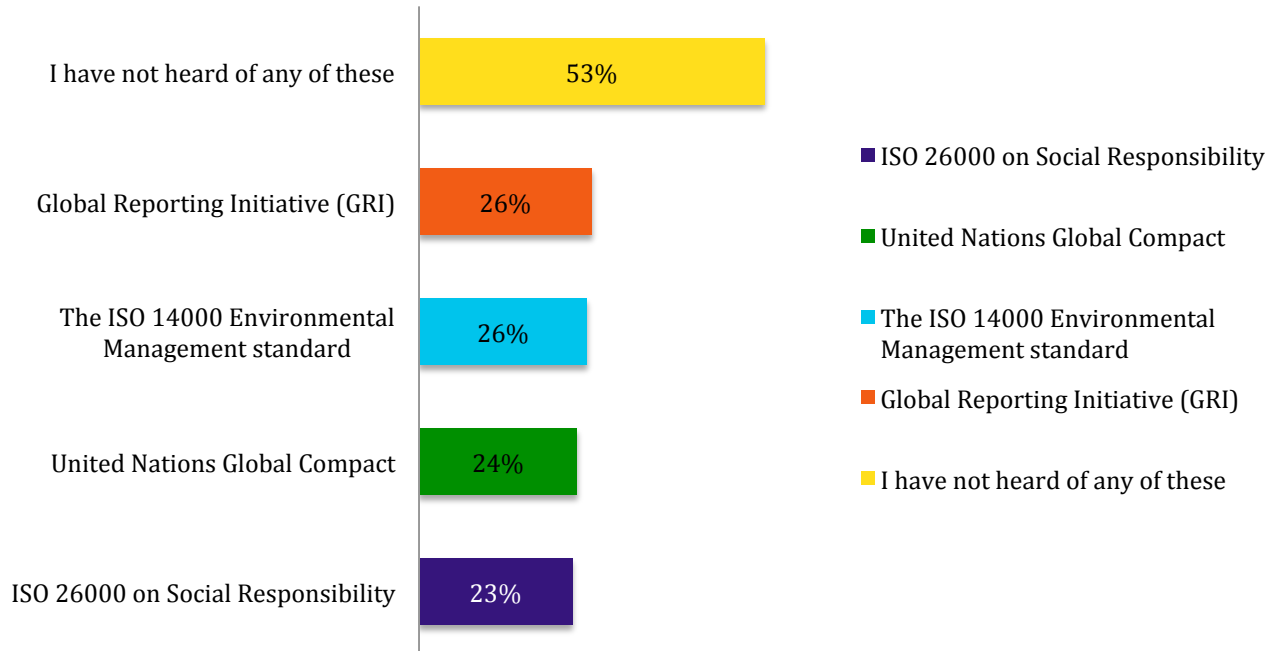
** Respondents who answered 'Nowhere' 'Other' or 'I don't know' are not shown.*

CSR Still in Silo

The function of CSR resided with the Executive Management in 30 per cent of respondents' organizations, followed by Marketing and Communications 19 per cent, Human Resources 12 per cent; and Environment, Health and Safety 5 per cent. Respondents who answered 'nowhere—we don't practice CSR' represented 11 per cent. Just over one tenth of respondents said CSR was embedded throughout every department in their organization (12 per cent).

Some of the respondents who answered 'other' said in their comments that their organization has a CSR committee.

Exhibit 9: Which Frameworks Have You Heard Of?



* Respondents who answered 'Other' or 'I don't know' are not shown.

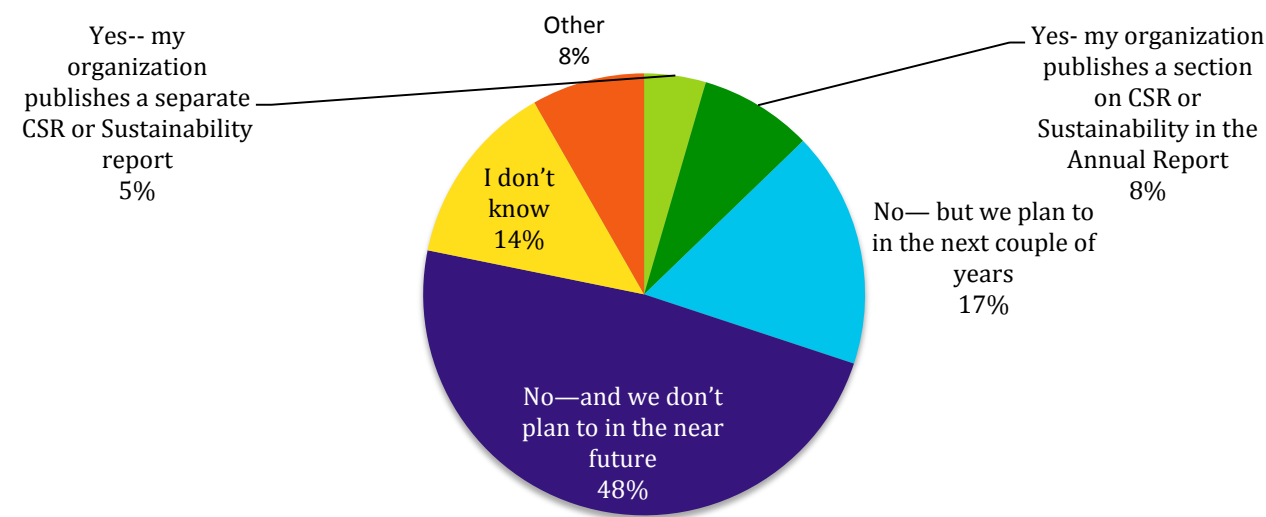
** Respondents were asked to select all that applied.

Sustainability & Social Responsibility Frameworks Remain Largely Unknown

More than half of respondents had never heard of some of the most widespread CSR and sustainability frameworks and guidelines. Around one quarter of respondents had heard of the Global Reporting Initiative (GRI), the United Nations Global Compact, ISO 14000 Environmental Management standard, and the ISO 26000 on Social Responsibility.

This suggests that there is limited monitoring and reporting on such initiatives, or knowledge in how to monitor and measure social and sustainability performance.

Exhibit 10: Does Your Organization Publish a CSR or Sustainability Report?



Organizations Fail to Monitor Social & Sustainability Performance

When asked whether or not their organizations currently published CSR or Sustainability reports, 65 per cent of respondents said their organizations did not, and almost half of respondents (48 per cent) said they did not believe that their organizations would in the near future.

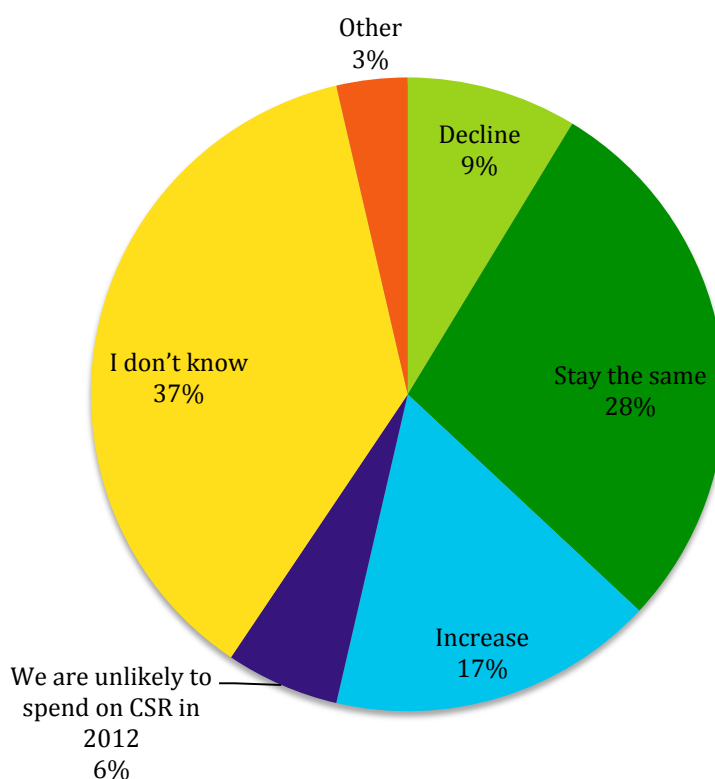
Only 5 per cent said their organization published a separate CSR or Sustainability report, while 8 per cent included it as a section in the Annual Report. The industries which published a separate report included Healthcare, Financial services, and IT. Nevertheless, more than half of Financial Services respondents (56 per cent) said their organizations did not publish, nor intend to publish a CSR and sustainability report.

None of the Construction, Architecture and Design industry respondents' organizations publish or intend to publish CSR and sustainability reports in the near future. Since this industry has been grouped as one category, it is not possible to extrapolate which of the respondents are specifically in the construction industry, which is notorious for employing many migrant workers under poor labour conditions.

None of the Family Business respondents published reports and only 15 per cent of them said they intended to in the near future.

One participant said: *"Since CSR is done on an ad-hoc basis, it is only reported as a news event as part of marketing and publicity activities"*. Another said *"We would like to, but don't know how."* reaffirming the lack of awareness of sustainability reporting as shown in Exhibit 9.

Exhibit 11: Comparing CSR Spending in 2012 with 2011



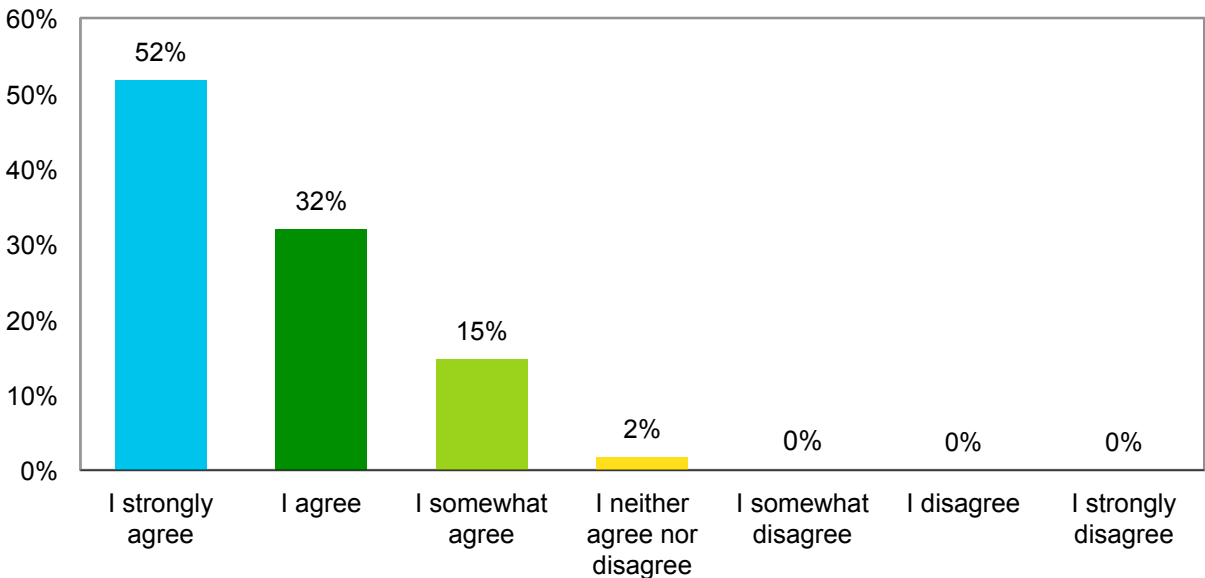
CSR Spending for Small Companies Increased in 2012

When asked about their organization's CSR spending in 2012 compared with 2011, more than one quarter of respondents said their spending was likely to stay the same (28 per cent); 17 per cent said it would increase; and 9 per cent said it would decline.

One third of Telecommunications industry respondents—one of Bahrain's most active in terms of CSR—said their CSR spending would decline in 2012 compared with 2011. Whereas around one fifth (22 per cent) of Financial Services sector respondents said their CSR spending would increase in 2012.

Interestingly, small companies (less than 50 employees and less than BD 500,000 turnover) had the highest percentage of respondents saying their CSR spending was likely to increase in 2012 (29 per cent). In descending order, the other company respondents saying they thought their CSR spending would increase in 2012 were: microenterprises 18 per cent (less than 10 employees, less than BD 100,000 turnover); large companies 16 per cent (250 or more employees, more than BD 5 million turnover); medium companies 11 per cent (up to 250 employees, less than BD 5 million turnover).

Exhibit 12: Can Sustainability & Social Responsibility be Strategically Aligned for Mutual Benefit?



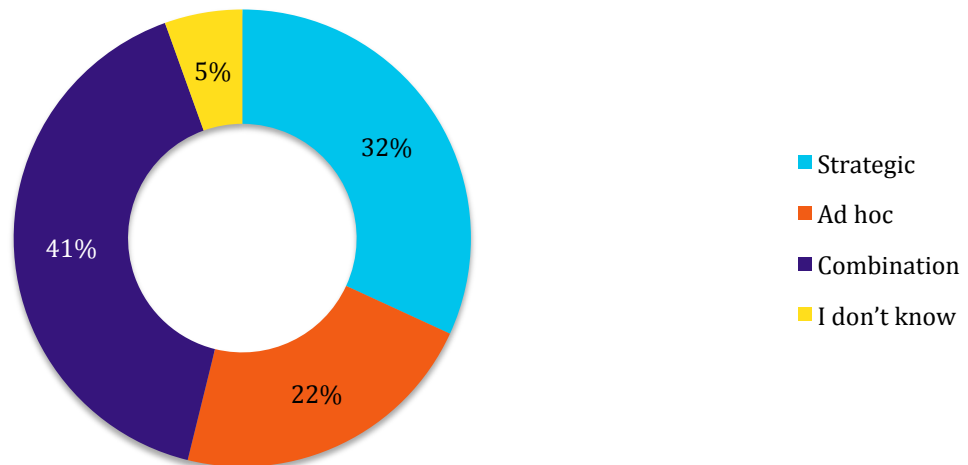
CSR & Sustainability Can be a Win-Win for Business, Society & the Planet.

Respondents were asked to what degree they agreed or disagreed with the following statement:

Sustainability and social responsibility initiatives can be strategically aligned with corporate strategy and organizational objectives to create a win-win situation for both business and society or the environment.

Encouragingly, none of the respondents disagreed on any level, and only 2 per cent neither agreed nor disagreed. More than half of respondents strongly agreed (52 per cent) and an overwhelming 98 per cent of respondents agreed to some degree.

Exhibit 13: How strategic Are Your CSR & Sustainability Practices?



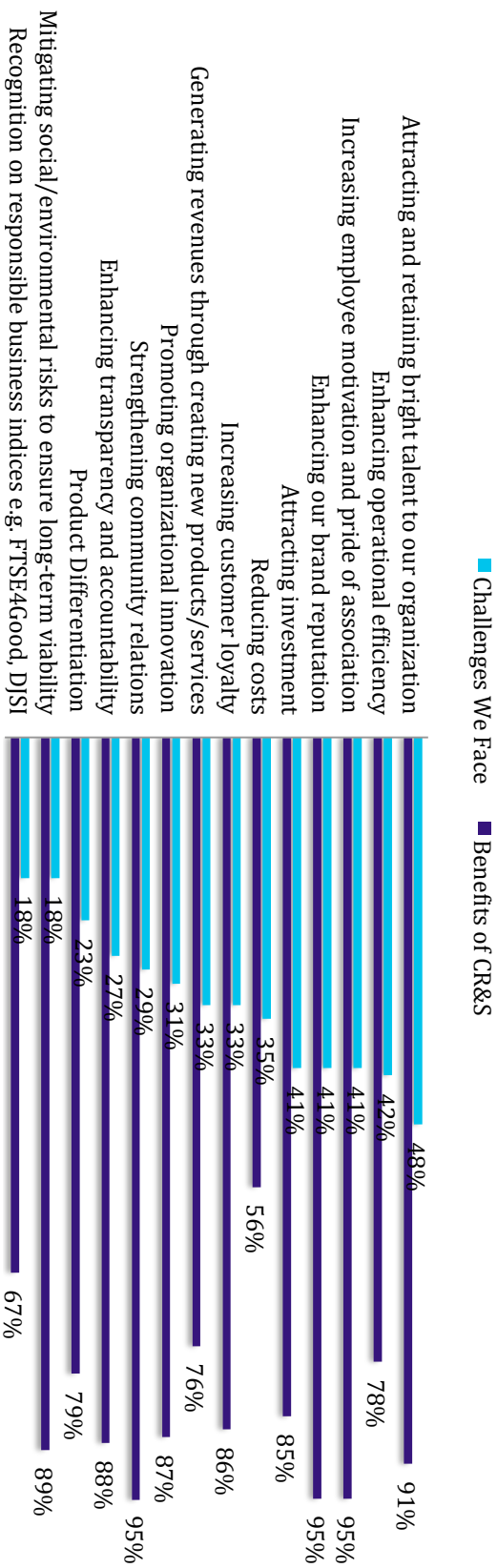
CSR & Sustainability: Not Strategic

Respondents were asked how strategic their organization's CSR and sustainability practices are, and were given the following choices:

- Strategic: they are well-aligned with our organization and core business, and well-planned (32 per cent of respondents)
- Ad hoc: they are disconnected from our core business and random in nature (22 per cent of respondents)
- They are a combination of strategic and ad hoc (41 per cent of respondents)
- I don't know (5 per cent of respondents)

Having spoken to several organizations in Bahrain outside of this study, many believe they practice 'strategic' CSR. However, we have repeatedly found that initiatives are neither monitored nor measured; and are disconnected from core business. They are strategic in terms of being part of a publicity and marketing strategy. Therefore, we expect that the percentage of organizations practising strategic CSR is even lower than 32 per cent.

Exhibit 14: Comparison: CR&S Benefits & Organizational Challenges



* Respondents who answered 'Other' are not shown.

** Respondents were asked to select all that applied.

Employees Unanimously Agree CR&S Increases Motivation & Pride of Association

Respondents were asked about the challenges faced by their respective organizations, which is compared with the percentage of respondents who agreed (strongly agree, agree, somewhat agree) that CSR and sustainability (CR&S) initiatives could bring benefits that help to address those challenges.

Respondents believed the greatest challenge faced by their organizations is attracting and retaining talent (48 per cent), and 91 per cent believed that CR&S could help an organization attract and retain talent. Enhancing Operational Efficiency was regarded a challenge by 42 per cent of respondents, and 78 per cent believed CR&S could enhance operational efficiency. Increasing Employee Motivation and Pride of Association, Enhancing Brand Reputation, and Attracting Investment, were each believed to be organizational challenges for 41 per cent of respondents, respectively. Whereas, 95 per cent of respondents believed CR&S could help increase employee motivation and enhance brand reputation, and 85 per cent believed CR&S could help attract investment.

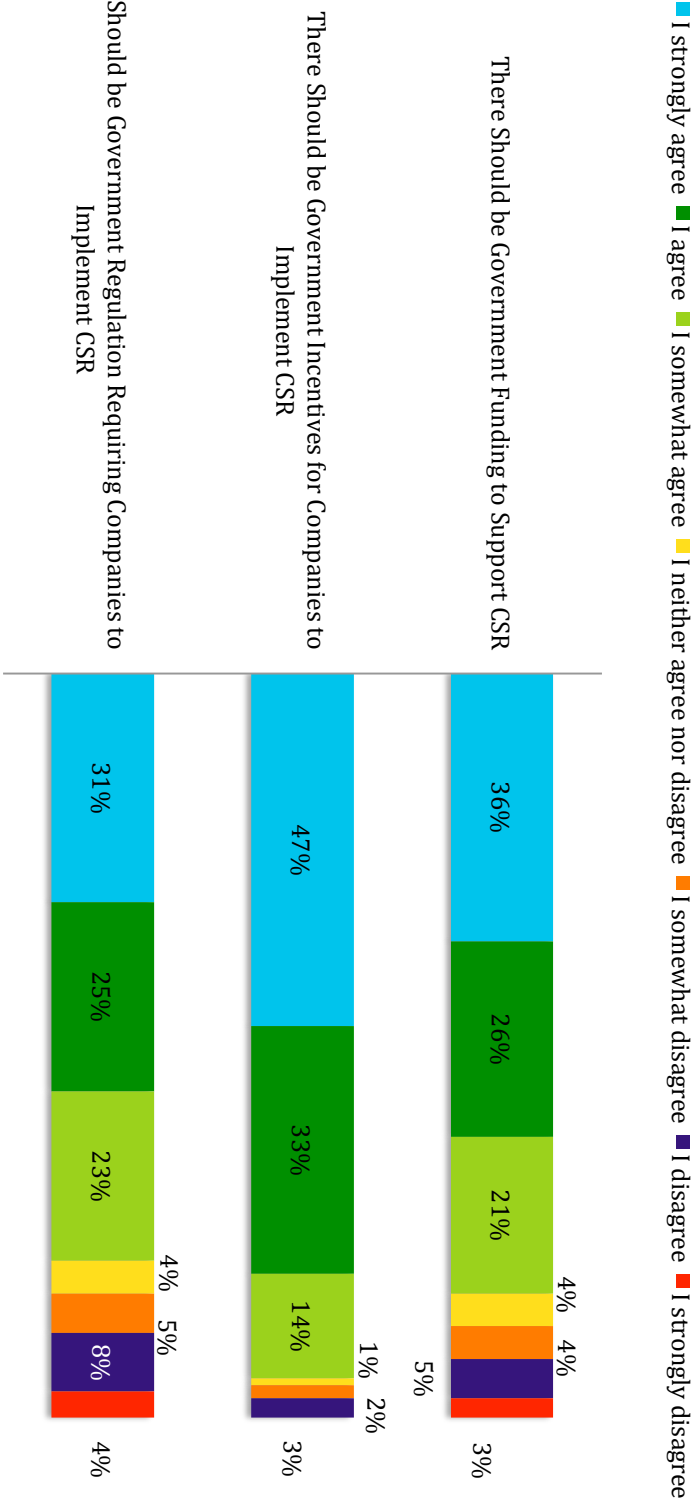
Around 46 per cent of Advertising, Marketing and Communications respondents strongly agreed that CR&S could help attract investment, versus around 21 per cent of Financial Services respondents. Almost 55 per cent of Advertising, Marketing and Communications respondents strongly agreed CR&S could enhance organizational transparency and accountability, versus around 33 per cent of Financial Services respondents.

One hundred per cent of employees agreed (strongly agree, agree, somewhat agree) that CR&S can promote employee motivation and pride of association. The majority—though, not all—other respondents representing various levels of management and company ownership also agreed.

Reducing costs was the least perceived benefit of CR&S, selected by 56 per cent of overall respondents. Despite large and medium enterprises having an advantage in leveraging cost reduction due to their size, interestingly; 65 per cent of micro-enterprise respondents agreed CR&S could reduce costs, compared with 62 per cent of small enterprise respondents, 58 per cent of large enterprise respondents, and around half of medium enterprise respondents.

Respondents believed that mitigating social and environmental risks to ensure long-term viability was the least of their organizational challenges with only 18 per cent considering it a challenge. This is unlikely to be because their organizations are adept at mitigating social and environmental risks, and more likely a reflection of the insignificance of social and environmental risk mitigation—despite issues like social fragmentation following the February 14 2011 political unrest, and the threats of climate change in Bahrain—one of the world's lowest lying countries.

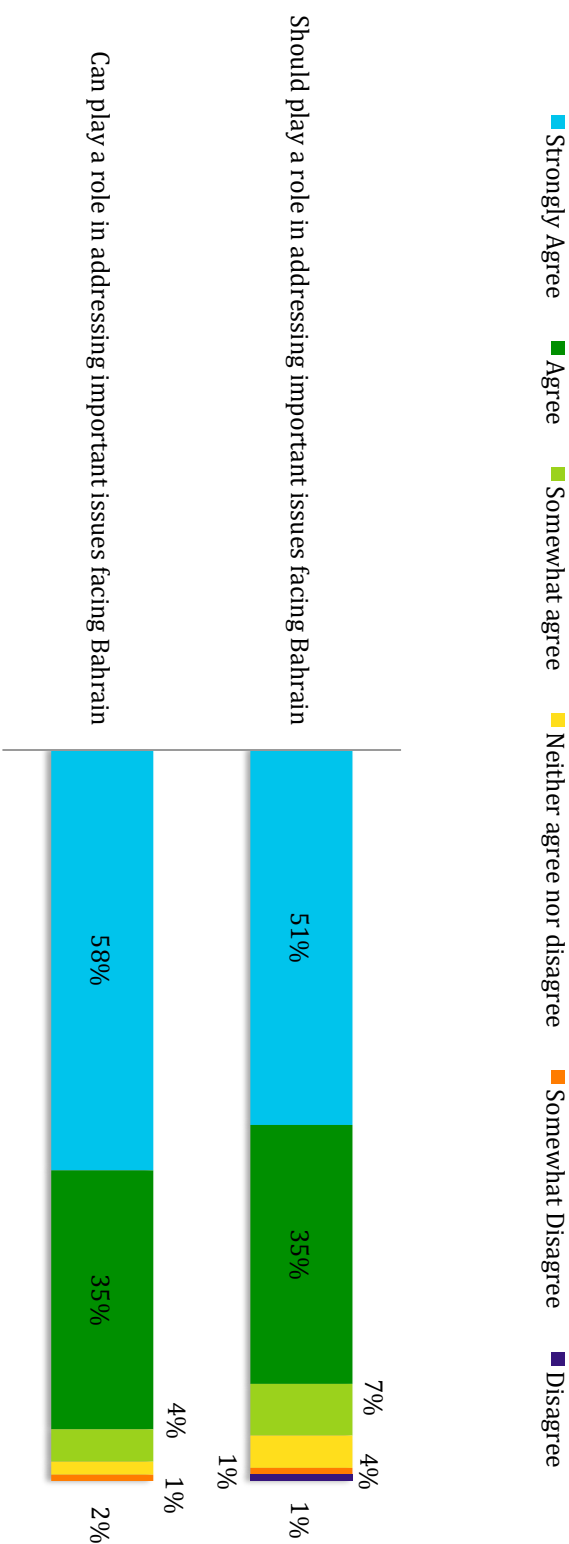
Exhibit 15: Government Policy & CSR



Survey Says: Government Should Support CSR

When it comes to government policy and CSR; around 83 per cent of respondents agreed to some degree (strongly agree, agree, somewhat agree) that there should be government funding to support CSR. Almost 95 per cent believed the government should provide incentives for companies to implement CSR. While almost 80 per cent believed there should be government regulations requiring companies to implement CSR.

Exhibit 16: Private Sector Role & Development

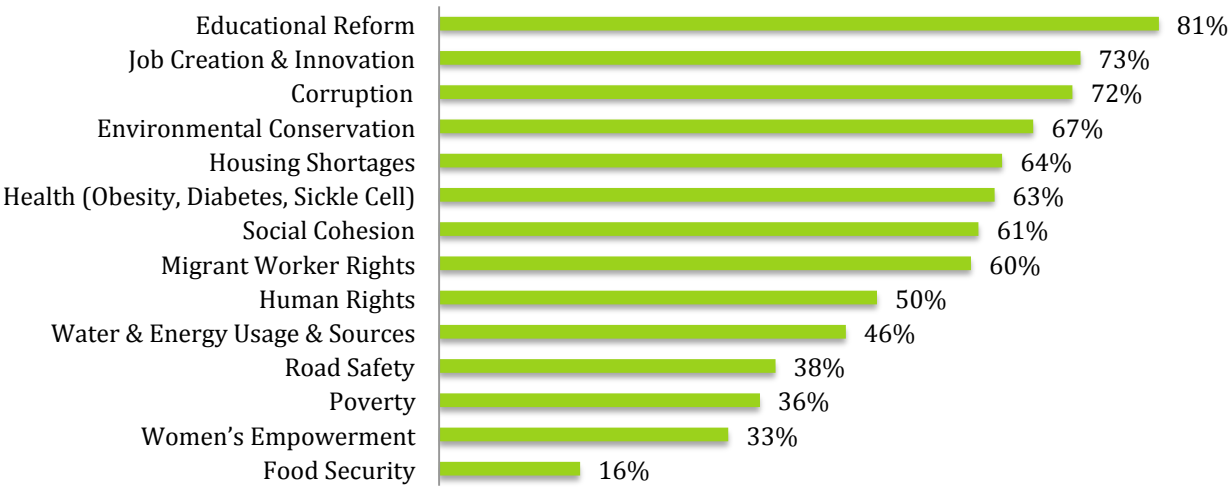


Survey Says: Private Sector Should Play a Role in Social Development

In regards to the private sector's role in development and CSR, around 93 per cent of respondents believed that the private sector should play a role in addressing important issues facing Bahrain; while around 97 per cent believed in the private sector's ability to address important issues facing Bahrain.

“I hope this survey results in getting public AND private sectors on board with CSR.”

Exhibit 17: Important Issues Facing Bahrain



* Respondents who answered 'Other' are not shown.
** Respondents were asked to select all that applied.

Bahrain's Most Pressing Issue is Education Reform

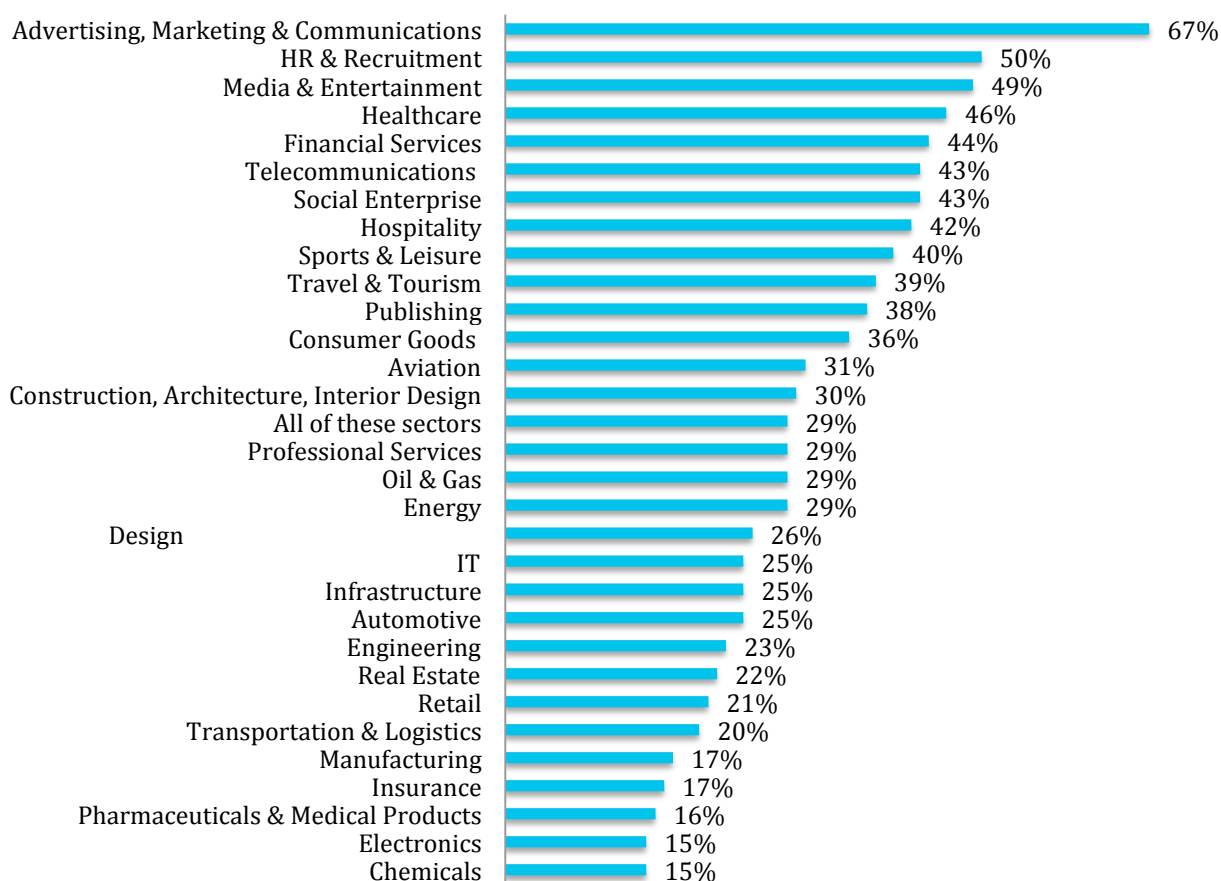
The top five important issues facing Bahrain according to respondents are:-

1. Educational Reform (81 per cent)
2. Job Creation & Innovation (73 per cent)
3. Corruption (72 per cent)
4. Environmental Conservation (67 per cent)
5. Housing Shortages (64 per cent)

Although the political unrest in Bahrain has caused significant social fragmentation, social cohesion was the seventh most important issue, chosen by 61 per cent of respondents. It may be that the terminology was not understood by some and would have been more recognizable if labelled 'sectarianism'. However, while this would constitute part of social fragmentation, the term 'social cohesion' is more encompassing than cohesion between sects, and also includes cohesion between genders, races, religions, economic and social strata etc.

“I wish we could educate youth in primary and secondary levels to be more socially-minded.”

Exhibit 18: Industries With Potential to Address Social Cohesion



* Respondents who answered 'Other' are not shown.

** Respondents were asked to select all that applied.

Advertising, Marketing & Communications: Greatest Potential to Strengthen Social Cohesion

Respondents were asked to choose the industry sectors they believed to have the potential to address the issue of social cohesion in Bahrain through strategic CSR initiatives. This means initiatives that include more than just donations or philanthropy. The top three according to respondents were Advertising, Marketing and Communications at 67 per cent; HR and Recruitment at 50 per cent; and Media and Entertainment at 49 per cent.

Around 2 per cent believed none of the sectors could help address social cohesion, while around 5 per cent did not believe social cohesion was an issue facing Bahrain.

CONCLUDING WORDS

We would like to thank you for your interest in the assessment of Bahrain's responsible business landscape. We hope that you will help drive our mission to spread greater awareness of social responsibility and sustainability by recommending this report to your colleagues, friends, and family. Better yet: we hope this report will inspire you to discuss the findings and how they apply to your organization at your next strategy or board meeting.

We would love to hear your feedback and reflections on our research. If you would like to e-mail us your comments; or would like to sponsor the translation of this report into Arabic, please e-mail Leena Al Olaimy on: l.alolaimy@3blassociates.com

Please also get in touch if your organization is interested in funding a regional study on responsible business.

If you would like to stay updated on 3BL's social and sustainability news and events, please e-mail impact@3BLAssociates.com and we will add you to our mailing list. Do connect with us on social media as well.

Please visit our website www.3BLAssociates.com and as always, we look forward to helping you become more sustainable...

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