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ANALYSIS OF THE REGULATORY FRAMEWORK INFLUENCING CORPORATE SOCIAL RESPONSIBILITY IN SAUDI ARABIA AND ITS EFFECTIVENESS

ANÁLISE DO QUADRO REGULATÓRIO QUE INFLUENCIA A RESPONSABILIDADE SOCIAL CORPORATIVA NA ARÁBIA SAUDITA E SUA EFICÁCIA

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ABSTRACT

Objective: The purpose of the research is to analyse the legislative instruments that influences Corporate Social Responsibility (CSR) practices in Saudi Arabia. An effective implementation of CSR practices in developing economies can yield to direct and indirect benefits that ultimately reach local communities. Primary regulatory framework that aims at enhancing and encouraging CSR practices has yet to be developed in Saudi Arabia. The subject matter is self-regulating by corporate entities and involves mainly soft laws rather than hard laws. The research aims to analyse the definitions and characteristics of CSR with accordance to international practices, discusses the regulatory framework of CSR, and outlines its practicality in Saudi arabia.

Method: The research adopts the traditional legal research methodology which aims at identifying the primary sources of law, such as legislation and case laws. It aims at understanding the position of the law on the matter concerned and allows for a further scope of analysis. Furthermore, the research utilizes the comparative approach that allows for the analysis of the hard and soft laws related to CSR to evaluate their effectiveness. Normative research methods are adopted to an interpret the relevant data and propose changes to the current regulatory framework of CSR.

Results And disscustion: Defining and characterising CSR is associated with complexity and vagueness and depends on contextual factors. However, the core principles of CSR include the ethical behaviour and economic contribution of corporate entities in a continuous and developmental manner that benefits the local communities and the society at large. Legislative instruments can influence and promote the application of CSR and increasing its effectiveness. International and national efforts to regulate CSR practices have developed considerably. Nonetheless, coherent legislative instruments in the form of hard laws are limited in Saudi Arabia.

Conclusions: Fostering and strengthening CSR practices in Saudi Arabia has been established as a necessity and a task that aligns with the Saudi Vision 2030 objectives. There are multiple incentives consisting of internal and external drivers for the introduction of CSR regulation in Saudi Arabia. It is imperative to regulate the practices of CSR through legislative instruments requires and encourages the adoption of CSR practices by businesses and corporations that conform to international guidelines, thus shifting away from the traditional self-regulatory system.

Keywords: corporate social responsibility, CSR, hard law, soft law, self-regulating, regualtion

RESUMO

Objetivo: *O objetivo da pesquisa é analisar os instrumentos legislativos que influenciam as práticas de Responsabilidade Social Corporativa (RSE) na Arábia Saudita. Uma implementação eficaz de práticas de RSE nas economias em desenvolvimento pode produzir benefícios diretos e indiretos que, em última análise, alcançam as comunidades locais. O quadro regulamentar primário que visa melhorar e incentivar as práticas de RSE ainda não foi desenvolvido na Arábia Saudita. O assunto é autorregulado por entidades corporativas e envolve principalmente leis brandas, em vez de leis rígidas. A pesquisa visa analisar as definições e características da RSE de acordo com as práticas internacionais, discute o quadro regulamentar da RSE e descreve a sua viabilidade na Arábia Saudita.*

Método: *A pesquisa adota a metodologia tradicional de pesquisa jurídica que visa identificar as fontes primárias do direito, como legislação e jurisprudência. Visa compreender a posição da lei sobre a matéria em questão e permite um maior alcance de análise. Além disso, a pesquisa utiliza a abordagem comparativa que permite a análise das leis duras e leves relacionadas à RSE para avaliar sua eficácia. São adoptados métodos de investigação normativa para interpretar os dados relevantes e propor alterações ao actual quadro regulamentar da RSE.*

Resultados e discussão: *Definir e caracterizar a RSC está associado à complexidade e imprecisão e depende de fatores contextuais. No entanto, os princípios fundamentais da RSE incluem o comportamento ético e a contribuição económica das entidades corporativas de uma forma contínua e de desenvolvimento que beneficia as comunidades locais e a sociedade em geral. Os instrumentos legislativos podem influenciar e promover a aplicação da RSE e aumentar a sua eficácia. Os esforços internacionais e nacionais para regular as práticas de RSE desenvolveram-se consideravelmente. No entanto, instrumentos legislativos coerentes sob a forma de leis rígidas são limitados na Arábia Saudita.*

Conclusões: *A promoção e o fortalecimento das práticas de RSC na Arábia Saudita foram estabelecidos como uma necessidade e uma tarefa que se alinha com os objetivos da Visão Saudita 2030. Existem múltiplos incentivos que consistem em*

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motivadores internos e externos para a introdução da regulamentação de RSE na Arábia Saudita. É imperativo regular as práticas de RSE através de instrumentos legislativos, requer e incentiva a adopção de práticas de RSE por parte de empresas e corporações que estejam em conformidade com as directrizes internacionais, afastando-se assim do sistema tradicional de auto-regulação.

Palavras-chave*: responsabilidade social corporativa, RSE, hard law, soft law, autorregulação, regulação*

1 INTRODUCTION

Corporate social responsibility (CSR) is a growing phenomenon globally and a particular focus within both developed and developing economies. The notion of CSR and its practicality is vital to businesses in evaluating their legal and ethical contributions to the local community they operate within (Idowu, 2008). Nowadays, it is essential for corporations and businesses to accommodate and implement CSR policies in their day-to-day practices.

Identifying a coherent definition of CSR is considered complex and depends on contextual factors, yet the core principles of CSR include the ethical behaviour and economic contribution of a business in a continuous and developmental manner, in a way that benefits local communities and the society at large.As such, CSR establishes responsibilities and commitments upon businesses to participate in local development and improve the quality of life within the society in which they operate.

Saudi Arabia is witnessing an overhaul of its economic and investment approach. The country is targeting economic development across multiple sectors, led by its 2030 Saudi vision, with a particular focus on growing the private sector and attracting foreign direct investment to the country. In this context, CSR has become an essential consideration and of particular importance to corporations' values as well as valuations (Servaes and Tamayo, 2013), whilst the country's regulatory framework is source of impact that promote businesses traditionally self-governed CSR polices in the community (Wirba, 2023). CSR is considered self-regulating, meaning CSR activities are internally selected and reflected in company polices. However, a number of jurisdictions have implemented hard laws that regulate subject matters that ensure the application of CSR activities.

The regulatory framework of CSR is of great importance and significance, considering the current economic development in Saudi Arabia. Regulations concerning CSR aim to promoting relevant practices and encourage business

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involvement in developing local communities across multiple sectors. Hard laws are mechanisms introduced by legislators to regulate the practices of a sector and set boundaries and limitations. This article analyzes the current regulatory framework of CSR in saudi arabia and considers the need for further regulatory instruments that encourages and promotes CSR activities.

This article aims to address three main objectives to determine the practicality of CSR in Saudi Arabia and identify its characteristics in comparison to developed practices. First, the article will discuss the definition and characteristics of CSR to identify best practices. Second, it evaluates the adopted regulatory framework in saudi arabia related to CSR and its effectiveness in comparison to international practices. Third, the paper questions the impact of the regulatory framework of CSR on the development of local communities in Saudi Arabia.

2 METHODOLOGY

For the purposes of analyzing the underlying research objectives the article adopts a number of methodologies. The traditional legal research methodology aims at identifying the primary sources of law within the relevant primary sources, such as legislation and case laws. In particular, it aims at understanding the position of the law on the matter concerned and allows for a further scope of analysis. In addition, the research adopts a comparative legal approach to understand and determine the practicality of the relevant laws within different jurisdictions. The comparative approach also allows further analysis of the hard and soft laws related to CSR to evaluate their effectiveness. Furthermore, normative research methods are applied to analyze and interpret the relevant data, in order to propose changes that will benefit society. The aforementioned methods aim at determining the effectiveness and efficiencies of CSR regulations and their practicability in Saudi Arabia, whilst also examining their conformity to international best practices. Furthermore, the relevant data will provide a frame of understanding through which to identify the limitations of CSR practices in Saudi Arabia in order to propose solutions that will have a positive impact on local communities.

3 RESEARCH AND DISCUSSION

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3.1 DEFINITION AND CHARACTERISTICS OF CSR

CSR principles have evolved and developed over many years and encompass the involvement and contributions of businesses in local communities across many sectors. In that context, regulatory reforms have been adopted to encourage businesses to adopt CSR polices that benefit society. The term CSR was first used by Gerald Schnepp in the mid 1950s (Schnepp and Bowen, 1954). Since then, CSR principles have progressed considerably, with theories and practices still developing and expanding.

Philanthropic acts and donations by businesses are considered a basic component of CSR and a representation of the business's ethical standards and involvement in the development of society (Wirba, 2023). Nonetheless, CSR objectives vary (Rodriguez-Gomez, 2020), though many scholars and international organizations have attempted to define its essenetial objectives (Ahmad Aminu, 2015). For instance, the World Business Council for Sustainable Development defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Rahim, 2013: 16). According to this definition, CSR is not a short-term or a brief commitment; businesses' involvement in CSR activities is expected to be ongoing. The aforementioned “continuing commitment” can be reflected within the policies of businesses and companies and their committed application of CSR values with regard to local communities (Rahim, 2013).

Efforts to coherently define CSR remain are ongoing. Carroll stipulates that “Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time” (Carroll, 1979: 500). This definition identifies four sets of responsibilities that are considered the foundation of CSR, targeted at outlining the responsibility of a business to the society it operates within. Economic responsibility represents the base of Carroll's pyramid. In a free enterprise social system, businesses serve to produce the goods and services required by the society; as an outcome, the businesses will generate profits, therefore incentivising further investments (Carroll, 2016).

The second responsibility identified by Carroll is legal responsibility. Societies

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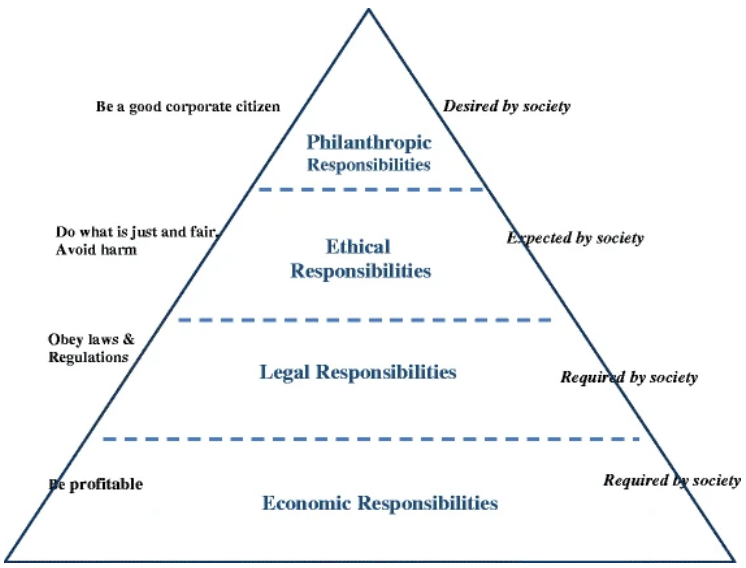
expect businesses to follow the laws and regulations set in place by the legislators within the business operations. Businesses have a responsibility to follow the law as a fundamental requirement within society, representing a basic ground rule (Carroll, 2016). Nonetheless, businesses also have an ethical responsibility to engage in higher conduct than is required by the legal responsibilities as defined by their society. Following the law is necessary for businesses to operate, however it is not sufficient to embrace the standards, norms, and principles values adopted by the society in which it operates (Carroll, 2016). As a result, activities aligned to the social norms for ethical conduct represent a higher level of ethical responsibility and best practices by the business (Doh, 2016). The final responsibility of businesses identified by Carroll is philanthropic responsibility. Philanthropic acts are voluntary actions taken by the business purely to give back to the society (Carroll, 2016).



(Carroll, 1991)

The chart above illustrates the hierarchy of responsibilities in Carroll's (1991) pyramid. A business's engagement in philanthropic activities is considered a discretionary and voluntary act that is desired by the society and identifies the business as a 'good' corporate citizen. Furthermore, society expects corporations to demonstrate ethical responsibility, requiring that business practices are just and fair whilst avoiding harm. As the pyramid shows, adherence to legal responsibilities are a basic requirement of the society: a business must obey the laws and regulations. Finally, the economic responsibility is to yield a profit for the business (Carroll, 1991).

Subsequently, it has generally been stipulated that the notion of CSR holds businesses to a degree of responsibility in terms of their contribution to economic achievements, which should be equal to the expectations of the society (Beal, 2013). This is the generally adopted definition, due to the complexity and difficulty of identifying a coherent definition. Benedict Sheehy explored the issues related to defining CSR and capturing its complexity, identifying a number of presiding problems that make an accurate definition unattainable (Sheehy, 2015). First, the objectives and disciplines of businesses vary significantly, making a unified CSR application would be difficult to attain. Second, the various definitions adopted by scholars over the years have further complicated the task of agreeing on a comprehensive definition. Scholars' perspectives and academic disciplines differ, leading to different analyses regarding the criteria for and characteristics of CSR. Third, the use of CSR to further political agendas is an additional complication. Political actors' views and preferences is a factor that influences the policies of businesses and companies, which further stretches and complicates the task of defining CSR. Finally, the lack of a precise definition of CSR introduced by governments that is accepted by business and encourages behavioural change (Sheehy, 2015). The complexity of factors influencing the definition of CSR stems from the conflicting philosophical approaches of scholars, business, and political influencers. For such reasons, a concrete and coherent definition of CSR is yet to be achieved.

Nevertheless, the characteristics of CSR are identifiable and could be said to be flexible. The primary responsibility of businesses, as identified by the World Economic Forum, is to conduct business in a manner that follows the law (World Economic Forum, 2002). Further, businesses are expected to produce products and services that are safe and cost effective for society, whilst creating jobs in the local community it operates within (Rahim, 2013). In turn, this will increase societal wealth and reduce the level of unemployment. Furthermore, incentive and activities by businesses towards local communities can be furthered in several forms (Rahim, 2013). For instance, training and technological support are characteristics of CSR that conform to international practices and adhere to labour and human rights principles, whilst also tackling environmental and ethical issues (Rahim, 2013). As such, CSR goes beyond philanthropic acts and requires businesses to implement policy and participate in day-to-day practices that benefit the community.

The elements that constitute characteristics of CSR are of great concern to researchers,; whilst the behaviour and values of businesses must demonstrate a certain level of responsibility towards the community, they must also meet the needs and expectations of stakeholders (Kamal, 2021). Elements of CSR include stakeholder management, governance, social equity, labour welfare, human rights, and community relations (Blowfield, 2005). The level of business involvement in these elements can vary according to stakeholders' objectives.

When it comes to identifying and characterising the concept of CSR, perspectives vary. There are three main viewpoints to consider: the shareholders, the stakeholders, and the community or society. Each perspective is anchored differently, depending on the involved parties, yet must reach the characteristics and objective of CSR. A number of theories have been put forth concerning CSR, with an emphasis on the specific participants concerned. For example, Grossman (2005) put forth the shareholders theory of CSR and stipulated that corporations hold the primary responsibility og maximizing shareholders' wealth. Under this theory, a corporation's involvement in social responsibility would be limited, since the main objective of corporate managers is to maximize shareholder profits (Grossman, 2005). Complexity rises in relation to the corporations' approach to social responsibility, where the argument is that CSR is used by corporations as a marketing strategy that primarily aims to increase the wealth of the shareholders (Grossman, 2005).

Considering such perspective, sustainable application by corporations of socially responsible practices will vary depending on the state of the economy and whether profit is maintained. A definitive and structured framework of CSR must be adopted by corporations for a truly beneficial social engagement for all parties involved. Grossman argues that a shift away from the stakeholder wealth maximization framework is required, and that corporations must increase their social engagement and focus on CSR objectives by adopting a framework that benefits both the community and the shareholders (Grossman, 2005).

Contrary to shareholder theory, stakeholder theory considers the interests of multiple diverse groups, includings the shareholders, employees, consumers, and others (Freeman, 2017). Stakeholder theory stipulates that a firm's engagement in CSR activities must support the sustainability of the corporation (Weber, 2008). The stakeholder theory of CSR has been widely analyzed and discussed by academics. For instance, Samy (2010) considers that when a company develops a sustainable strategy that engages in socially responsible activities and focuses on long-term return on investment, this is beneficial for all groups involved. Such an effort requires the development of managerial solutions that are not purely focused on shareholders and the maximization of profit (Samy, 2010). As a result, a balance is required to safeguard the interests of shareholders whilst accommodating CSR activities in a sustainable manner that benefits the community.

On the other hand, virtue theory considers that business must demonstrate a higher level of ethical conduct and foster an environment that promotes and encourages individuals to achieve success (Gotsis, 2015). The theory primarily considers in its application the common good of society, and relates to CSR values and characteristics more than the stakeholder or shareholders theories. Although the definition, characteristics, and theories of CSR have been the subjects of considerable analysis and study over the past 50 years, the subject matter remains complex and debated. In this article, however, the primary consideration is the level of regulatory framework related to CSR in Saudi Arabia and whether or not it is effective.

3.2 THE REGULATORY FRAMEWORK OF CSR

Several types of regulatory mechanisms and configurations can be adopted to influence and promote the application of CSR; these may be be introduced as soft law or hard law, depending on the legislative instrument (An, N. B, 2023). When considering the relationship between the government and corporations in relation to CSR practices, the different forms of regulation can be considered as four distinct approaches. First, CSR as self-regulatory private system, which allows corporations discretion in relation to their practices whilst exerting a weak form of legislative influence (Alavi, 2016). This approach may suffer from a lack of coordination between the government and corporations, thus leaving the private sector to work independently from the public sector initiatives (Gond, 2011). The second approach is CSR facilitated by the governmentwhich requires governments to provide corporations with incentives and encouragement through rhetoric , such as tax reductions. Nonetheless, this approach is considered sector specific and has low influence from a legislative perspective. Third, is CSR as a partnership between corporations and the government. This is the ideal form, where the government and corporations work together to share resources and promote CSR activities. This can facilitate a higher level of coordination in shaping CSR polices, with influence from the government. Such practices have been

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observed in, for instnace, the Philippines mining industry (Gond, 2011). Finally, there is CSR regulation that is mandated by the government. This approach involves the government directly regulating and legislating CSR practices, and provides a strong legal framework and influence, obliging corporations to engage in CSR activities under the law (Lin, 2020).

Self-regulation is considered the main CSR framework, and conforms to the traditional view of CSR as involving discretionary contributions by corporations to the society they operate within. Nonetheless, it could be said that corporations that focus mainly on profits will have less incentive to engage in CSR practices. On the other hand, providing a legislative instrument that obliges corporations to participate in CSR activities will increase its impact within the local community. Corporations are typically expected to follow the rule of law. Hard laws can create greater commitment from corporations to develop CSR policies in accordance with the law.

International and national efforts to regulate CSR practices have developed considerably, in the form of both hard and soft law. A number of essential instruments and mechanisms have been adopted by governments and governing bodies to control CSR behaviours and businesses' conduct in this regard, and will be discussed in this section. At the international level CSR conduct has been influenced by several guidelines and policies, such as the OECD Guidelines for Multinational Enterprises (OECD, 2023). However, the OECD Guidelines are not considered binding, instead suggesting broad standards and principles for responsible business practices that facilitate positive social and economic progress (Davarnejad, 2011). For example, the guidelines promote accountability and transparency by businesses through the disclosure of non-financial concerns including bribery, employment relations, and consumer interests. Nonetheless, not all countries have approved the application of the guidelines, since the choice of whether or not to adopt the guidelines rests with national legislators.

Countries that have approved the application of the OECD Guidelines are expected to set up a National Contact Point that aims at overseeing the implementation of the guidelines and principles, as well as the resolution of disputes concerning its application via alternative dispute resolution mechanisms, such as mediation or conciliation (Davarnejad, 2011). Besides the OECD Guidelines, there are other international efforts concerned with CSR, such as the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights (Alavi, 2016). However, these efforts are all considered soft law, and thus their application by countries is considered voluntary and they are not binding on businesses.

From the national legislative prospective, the context and regulations of CSR are approached differently depending on the scale of economic development in the country. To elaborate, CSR requirements in developed countries differ from those in developing countries based on differences in the economic scale and necessity of CSR objectives. Nonetheless, several developed and developing countries have attempted to embed CSR activities through the introduction of legislative instruments that regulate businesses activities.

For example, in the United kingdom, section 172 (1) of the Companies Act 2006 stipulates that: "*A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to— (a)the likely consequences of any decision in the long term, (b)the interests of the company's employees, (c)the need to foster the company's business relationships with suppliers, customers and others, (d)the impact of the company's operations on the community and the environment, (e)the desirability of the company maintaining a reputation for high standards of business conduct, and (f)the need to act fairly as between members of the company*" (UK Companies Act, 2006).

The Act obliges the directors of a company, when making decisions that benefit the company, to consider the impact on the stakeholders rather than the shareholders only. Furthermore, it outlines a number of CSR objectives to be considered by directors, such as the impact of decisions on the interest of employees, the community, and the environment the business operates within (Cerioni, 2008). Moreover, the provision requires directors to act in good faith, though there is no coherent definition of good faith given within the Companies Act. As such, under the English legal system there is an objective or subjective test to determine whether a director has acted in good faith or not (Cerioni, 2008). The first test considers the director's mental state and requires the presence of a genuine belief held by the director relating to the decision made and it being in the best interests of the company. Furthermore, it concerns the director's motive and evaluates the circumstances leading to their decision. The second test aims at evaluating the directors' performance in decision making and upholding their obligations to the company (Ediagbonya, 2017).

Nonetheless, section 172 of the Companies Act in the UK is an example of a

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hard law that is targeted at ensuring the encouragement of CSR activities among businesses at a national level. Such legal provisions place an obligation upon companies to act in a manner that benefits the community in various ways. Any business that makes decisions that solely benefit the shareholders will be in breach of section 172 and held accountable. Therefore, key considerations must be taken into account by the directors when making decisions to promote the success of their company, to ensure they meet the provision. On one hand, the Act does encourage CSR activities; on the other hand, ita can be considered limited as it specifies only the types of activities to be conducted by companies.

Similarly, section 135 of the Companies Act 2013 in India outlines the necessity of CSR and the application of such practices by companies. The section provides that: "*Every company having a net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director*" (Indian Companies Act, 2013). Section 135 is an essential hard law that promotes and encourages CSR activities by companies in India. Companies that fall within the scope of the regulation are expected to spend a minimum of 2% of their average net profit over the subsequent three financial years. This requirement significantly encourages the adoption of CSR activities by companies in order to comply with the national regulations (Palaniappan, 2017). In such circumstances, CSR activities are not considered voluntary by companies but a legal obligation. The Indian legislators have further regulated CSR by requiring the formation of a committee within the company that is responsible for overseeing its application. The committee's main responsibility is to: "*(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII; (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time*" (Indian Companies Act, 2013).

The CSR regulations in the UK and India are leading examples of the role of hard law instruments in influencing companies' activities. The aforementioned provisions transform CSR from a voluntary effort by businesses into an obligation to provide benefit to the surrounding community. This requires companies to consider their behaviours, decisions and their implications in terms of whether they are beneficial for the wider community, not just for financial and profitability reasons.

However, the examples given of hard laws in the UK and India are considered limited and subject to interpretation. Internationally, CSR is predominantly self-regulated and classified under the soft law category. Thus, the practices of CSR are typically voluntary, and its application is considered discretionary. Yet the growing importance of CSR is evident within section 172 of the UK Companies Act and section 135 of the Indian Companies Act, where legislators have acknowledged CSR's importance and limited the level of discretion given to companies in conducting related activities. This is considered a positive shift toward encouraging mandatory rather than voluntary CSR activities.

3.3 CSR IN SAUDI ARABIA

Saudi Arabia introduced its Saudi Vision 2030 national transformation programme in 2016. The vision aims at the enhancement of multiple sectors within the country, such as healthcare, education, infrastructure, and investment. Undoubtably, fostering CSR within the national legislative framework will assist in reaching the goals set in the vision and benefit the wider Saudi community (Vision 2030, 2016). This section will examine the existing regulation concerning CSR and consider whether it can assist in reaching the goals of the vision and conforming to international practices.

In alignment with the UK and the Indian Companies Act, the new Saudi Companies Law considers the matter of CSR within its provision. Article 278 of the law stipulates that: "*The Competent Authority may propose rules to encourage the engagement of companies in social responsibility and determine the phases of implementation thereof. Such rules shall be issued pursuant to a resolution by the Council of Ministers*" (Saudi Companies Law, 2022). The article recognises the need for companies to consider CSR and seeks to encourage related practices and the adoption of these within company policies. However, the article does not specify a designated competent authority that sets out implementation rules and processes related to CSR activities. Furthermore, unlike section 172 of the UK Companies Act, Article 278 of the Saudi Companies Law does not propose any specific activities associated with CSR, leaving the matter open to interpretation by the companies themselves or future regulations. Besides what is presented in Article 278 in relation

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to CSR, there is no further consideration of or guidelines for CSR within the Saudi Companies Law.

From a practical perspective, the Council of Minsters has approved the formation of a Social Responsibility Committee (CSRC) in 2021, with participants from several governmental ministries, authorities, and representatives from the private sector. The formation of committee is significant, as it includes representatives from the Ministries of Commerce, Energy, Economy and Planning, and Environment as well as the National Centre for Non-profit Sector Development. Furthermore, the committee includes participants from the banking sector, such as the National Bank of Saudi Arabia, and SABIC, the leading Saudi chemical manufacturing company.

The objectives of the committee is to:

1. Monitor and evaluate the participatory framework to unify efforts and enhance social responsibility governance.

2. Achieve the main outputs of the national strategy for social responsibility in the following matters:

A. Government incentives (financial, regulatory, and discretionary)

B. A unified national plan for development needs

C. Systems and policies that promote social responsibility (guidelines, classification system, monitoring system, incentive system)

D. Promoting capacity development (raising awareness, job classification)

3. Supporting the achievement of the goals of corporate social responsibility indicators in the vision programmes.

Furthermore, the committee goals can be summarized as follows:

1. Develop strategies, plans, programmes, and performance indicators related to enhancing the social responsibility of companies and institutions.

2. Motivate companies and institutions to carry out activities related to social responsibility.

3. Motivate companies and institutions to contribute to the non-profit sector in coordination with the relevant authorities.

4. Work to organize the social contributions of companies and institutions in coordination with the relevant authorities.

5. Define the concept of social responsibility for companies and institutions, disseminate knowledge about the concept, and increase awareness of best practices related to social responsibility for companies and institutions.

6. Work to develop the necessary incentives to support and encourage social responsibility activities for companies and institutions, in coordination with the relevant authorities.

7. Propose regulations and rules related to the social responsibility of companies and institutions, propose amendments to existing ones, and highlight any gaps to complete the regulatory framework.

8. Support the organization of conferences, seminars, and meetings related to the social responsibility of companies and institutions.

9. Work to highlight the social contributions of companies and institutions. (CSRC website)

The introduction of the CSRC by the Council of Ministers marks a positive shift towards structuring the application of CSR. Previously, these matters have been mainly self-regulated and policies created within the structure and borders of companies and corporations. Currently, the CSRC may influence and direct companies to participation specific activities that requires development within the community it practices within. Such activities may such training and education in specific fields. Undoubtably, this can be beneficial if targeted at local community needs in each province in Saudi Arabia.

Awareness of CSR in Saudi Arabia has been increasing since the introduction of the Saudi Vision 2030. Cicero & Bernay, alongside YouGov, conducted a study that explored the scope of awareness and practices of CSR in a number of countries, and surveyed 53 C-suite executives from Saudi Arabia. The survey asked respondents to indicate whether the below statements were accurate or inaccurate:

Statements	Accurate	Inaccurate	Not sure
1. CSR is a way for companies to integrate social, environmental, and economic concerns in their business, whilst addressing the expectations of shareholders and stakeholders.	61%	27%	12%
2. The primary social responsibility of a company is to make as much profit as possible.	41%	44%	15%
3. CSR is used primarily as a trade barrier by western countries in order to impair the development of companies from other countries.	37%	56%	07%
4. CSR means companies taking the necessary steps to meet domestic or international standards to get CSR certification.	63%	29%	08%

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5. CSR refers to companies getting involved in the discussion of specific social issues, such as human rights or the environment, and implementing measures to address them.	76%	22%	02%
6. CSR is done primarily to improve the image of a company by publishing reports or promoting CSR activities to demonstrate the company's achievements to customers.	44%	41%	15%
7. CSR means standing by good moral values and ensuring a company doesn't engage in immoral or illegal activities.	73%	17%	10%
8. CSR involves companies making some sacrifices in order to do good deeds.	63%	25%	12%
9. CSR refers to companies making donations to charities for public welfare.	68%	22%	10%

(Cicero & Bernay–YouGov CSR Survey Report, 2020)

The above table shows that 76% of the participants believe that the application of CSR means involvement in activities related to social and environmental issues. Furthermore, 63% of the participants believe that CSR means obtaining certification by taking the necessary steps to reach domestic or international standards. Finally, 63% of the participants believe that CSR requires companies to make compromises in order to act in a socially responsible way. The data from the study indicates a high level of awareness regarding the necessity of CSR implementation and consideration by companies. Moreover, the research highlights Saudi Arabia as an emerging country with regards to CSR practices across the region.

3.4 INCENTIVES FOR CSR REGULATION IN SAUDI ARABIA

Fostering and strengthening CSR practices in Saudi Arabia has been established as a necessity and a task that aligns with the Saudi Vision 2030 objectives. As a developing country, there are number of incentives and benefits that indicate the need to strcuturally embed CSR practices to benefit the economy and the local communities across Saudi Arabia.

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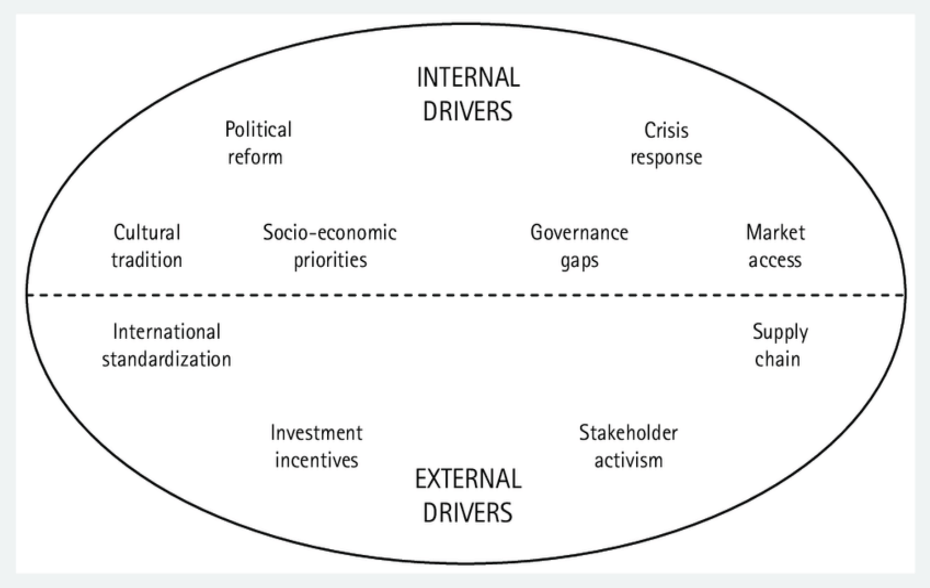

(Visser, 2009)

In the chart above, Visser (2009) identifies ten main incentives for developing countries to incorporate CSR practices. These are divided into two main categories: internal and external drivers. The first refers to the pressures faced within the country to enhance CSR, whilst the latter has a global element (Visser, 2009). Nonetheless, all the incentives identified by Visser can benefit the local community if they are targeted through the structured development of CSR practices. Boht the internal and external drivers can be influenced by the implementation of hard laws within developing countries. For instance, a legislative framework that focuses on advancing socio-economic priorities through CSR practices will benefit the development of local communities.

CSR activities can directly and indirectly benefit the local community and support its development. Ismail (2009) considered the role of CSR in community development and identified a number of factors associated with CSR practices that have a positive impact. Essentially, the CSR practices help to nurture closer ties between businesses and the community and foster harmonious relations. More specifically, if businesses engage in CSR activities within the community, this can assist in shifting the perception of that business beyond merely a provider of employment and producer of services and goods.

Regulatory frameworks that encourage CSR practices can benefit businesses by helping to nurture talent and provide local communities with training opportunities. Furthermore, businesses that are encouraged to develop the community will aim to adopt best practices as well as help the transfer of technology to the local community, as an indirect result of CSR regulation. Ideally, government incentives will be set in place to encourage businesses to adopt international standards for CSR practices. Moreover, protection of the environment by businesses is considered a commitment that forms part of their CSR practices. Environmental protection incentives can be further encouraged via a regulatory framework for CSR practices, besides environmental regulations.

Taking into consideration the drivers of CSR and the benefits it yields to local communities, a legislative framework could should seek to enhance the CSR practices of businesses in relation to local communities in Saudi Arabia. The suggested regulation would aim at increasing the contribution of the private sector to meeting development priorities through social responsibility. Furthermore, it is essential to establish national governance for social responsibility and to define the roles of relevant government agencies in enacting it. For instance, activating the role of the already formed social responsibility committee. This can be achieved through strengthening the regulatory environment for entities related to the social responsibility practices of businesses. To realize this aim, it is essential to determine the scope and areas of social responsibility for the private sector.

CSR practices should not be limited to charitable works, such as subsidies, donations, volunteering, and community investment, but also include human rights matters, the protection of the environment, labour practices, fair operating practices, consumer protection, and efforts to combat fraud and corruption. Thus, it is important to identify the tools required to monitor and measure social responsibility practices in Saudi Arabia and how they impact the targeted local communities. The proposed regulation could support the initiatives of government agencies and the non-profit sector, as well as helping to create a diverse national portfolio of financial and non-financial incentives that are consistent with agreed-upon priorities. Finally, the regulation should be in alignment with international standards in the areas of social responsibility.

4 CONCLUSION

The principles of CSR have evolved, and its practices are considered an important requirement that should be embedded within business policies, particularly in developing countries. Traditionally, CSR is considered a self-regulating, private system, which has provided business and corporations with the discretion to shape their own policies and CSR activities. Considering the positive impact that CSR has on local communities, it is important to ensure its continued presence and regulate its practices. Leaving this subject unregulated or self-regulated may reduce its adoption and practicability by businesses and corporations that are primarily interested in wealth maximisation. International and national efforts to promote guidelines and legislation related to CSR that encourage its practices have been increasing, and Saudi Arabia has introduced its 2030 vision, which aims at developing multiple sectors and promotes positive local transformations. As a result, it is imperative to regulate the practices of CSR in Saudi Arabia, through legislative instruments that require and encourage the adoption of CSR practices by businesses and corporations that conform to international guidelines, thus shifting away from the traditional self-regulatory system of CSR.

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