

Responsible Bank between theoretical parameters and practice - Arab Bank as a Model-

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Abstract:

This research endeavors to assess the practices embraced by responsible banks, delving into the role of corporate social responsibility within the banking domain and its multifaceted impacts across economic, societal, ethical, and environmental dimensions. To gain a nuanced understanding, the study adopts the Arab Jordanian Bank as a case study. The findings notably highlight the mounting significance of corporate social responsibility within the Arab Bank. The institution has made strides in enhancing its social responsibility by instituting detailed reports focused on environmental, social, and governance aspects, indicative of its dedication to responsible investment practices.

Keywords: responsible bank, corporate social responsibility, Arab Bank, evaluation, Sustainabilityreport.

Jel Classification Codes:G21, G28

1. INTRODUCTION

Banks' dedication to embracing responsibility signifies a contemporary strategy that aids in enhancing their financial performance. This commitment involves cultivating a favorable public perception within their operating societies, attracting clientele, and fostering stability and societal integration within the environmental context they operate. The banking sector's response to corporate social responsibility challenges has been somewhat delayed, initially prioritizing environmental concerns before addressing social issues. In contrast to other industries, banks have also begun to consider the involvement of stakeholders in their approach to responsibility.

The bank's approach to corporate social responsibility is notably distinct, focusing extensively on responsible lending and asset management in investment. While banks might not directly influence the environment, their indirect social and environmental responsibility becomes more pronounced when providing credit to companies engaged in environmental pollution or the production of unsafe or harmful goods. In this way, banks function as unique intermediaries in the sphere of responsibility.

Based on the aforementioned, this study aims to answer the following main question: **What is a responsible Bank? What is the reality of the Arab Bank's practices of social responsibility?**

Sub-questions: A number of following questions stem from the main question:

- 1- What are the dimensions and indicators of banks' social responsibility disclosure?
- 2- What are the characteristics of a responsible bank?
- 3- To what extent is the Arab Bank committed to its social responsibility?

Significance of the study:

The significance of this study lies in assessing the social responsibility initiatives of the Arab Bank, renowned for its success and effectiveness in this domain. As a pivotal force in Jordan's and the Middle East and North Africa region's economy, the bank serves as a potential model for responsible practices. This examination aims to offer a blueprint of social responsibility initiatives that Algerian banks could adopt. By cultivating a holistic and innovative sustainability vision, these banks could contribute significantly to societal development.

Study objectives:

The following study aims to:

- Formulating a theoretical framework for the concept of responsible banking.
- Identifying the elements of social responsibility prevailing in the Arab Bank.
- Evaluating the Arab Bank's social responsibility practices, the extent of its commitment to them, and their implications in the four main axes in terms of economics, society, ethics, and the environment.

Study Methodology:

In tackling the study's problematics and addressing the posed questions, we employed a descriptive and analytical methodology. This approach facilitated the construction of a theoretical framework by presenting the foundational aspects of social responsibility and the responsible banking concept. The analysis drew upon data and information gleaned from the Arab Bank's annual reports and sustainability records to support these frameworks. (Times

2. Definition and characteristics of the responsible bank:

Certainly, the banking landscape comprises diverse terms like social, ethical, responsible, sustainable, corporate, and alternative banking, each encapsulating varying financial practices

and differing focuses. Attempting to consolidate these terms into a singular definition that encompasses all nuances proves challenging. This complexity arises from the diverse influences of various economic authors, shaped by their cultural, national, and historical contexts. In literature, the terms "ethics," "social," and "responsible" are often employed interchangeably when discussing banks, further contributing to the challenge of creating a unified definition.

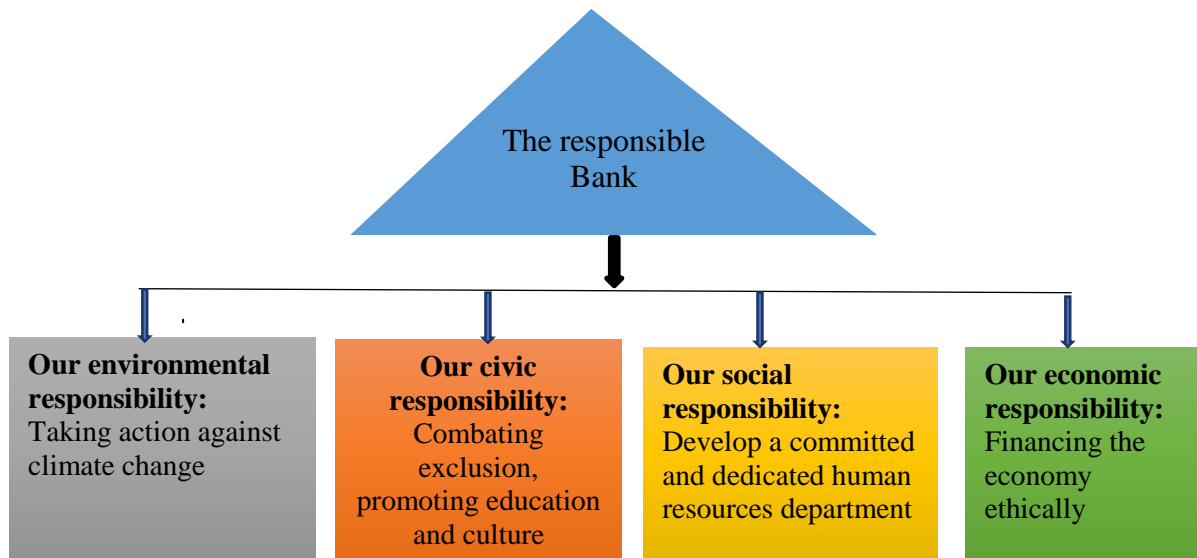
2.1 Definition of a responsible bank:

The expansion of responsible banks hasn't been matched by a well-defined legal framework, both internationally and nationally, leading to ambiguity in defining what constitutes a responsible bank. However, in recent times, various networks advocating responsible finance have shed light on foundational elements associated with these banks. A responsible bank is often described as one that adopts ethical behavior, which entails adhering to accepted principles of right and good conduct within specific situations. Such a bank is expected to contribute to human and societal development, avoiding actions that benefit a few at the expense of others.

These banks, operating within a responsible financial system, aim to ensure that their actions do not result in adverse consequences for others. They make deliberate choices about the activities they undertake. Socially responsible banks not only fulfill legal obligations but also extend their efforts by investing significantly in human capital, environmental preservation, and fostering positive relationships with stakeholders (Serge-Eric Gardioux, 2010, p35).

The following figure summarizes the concept of the responsible bank.

Figure n° (1): The responsible bank and its four axes



Source: Designed by the researched using: A Responsible Bank, Rapport for Social and Environmental Responsibility 2011, BNP PARIBAS, The Bank of the World that Changes, Paris, p. 17.

2.2 Characteristics of the responsible bank:

Responsible banks are inherently committed to integrating several standards encompassing transparency, social inclusivity, environmental preservation, economic risk management, and stakeholder engagement into their management policies and the array of products and services they offer. Embracing these diverse characteristics propels the bank toward responsible management practices that prioritize ethical leadership beyond mere compliance with legal standards.

- The principle of transparency:

The proliferation and diversification of activities pursued by numerous banks, often involving investment in high-value assets, fostered confusion and ambiguity. This situation contributed to a deficit in trust between consumers and investors. Several analysts also attribute the 2008 financial crisis to a crisis of confidence, as it underscored the fundamental importance of trust—deemed the most valuable asset for any bank. A bank with the trust of depositors and creditors can confidently fund its loans and other investments. Conversely, if trust is eroded, the bank swiftly encounters liquidity challenges and complications.

A responsible bank upholds the integrity of its funding sources, ensuring they do not stem from illegal or highly polluting activities. Its funds predominantly originate from client savings, generated through genuine economic pursuits. Transparency in fund utilization and management, especially concerning clients, is a priority. This entails steering clear of opaque transactions, refraining from speculative short-term operations, and favoring long-term financing of tangible economic activities. Adhering to a principle of selective loan allocation, it prioritizes direct intermediation—the core banking activity—over commercial operations and derivative products. Profits primarily derive from successful credit activities.

Certainly, issuing comprehensive social and environmental reports aligned with directives like the Global Reporting Initiative fosters transparency. Additionally, disclosing fundamental details about significant clients and the consequences of their activities contributes to maintaining a higher level of transparency. These practices exemplify key attributes of responsible banks, perpetually enhancing transparency to meet this foundational requirement.

- The principle of social integration:

Banking exclusion represents the challenges people face in accessing or using banking services, impacting their ability to lead a normal life within their community. Today, extending banking services to a broader demographic has become increasingly challenging.

Social inclusion within banking involves commitments to society and community through corporate social responsibility, shaping the bank's relationship with its surroundings. Banks address various issues and devise strategies to foster social inclusion.

Microfinance is a targeted approach aimed at both businesses and households, serving as a poverty alleviation tool, particularly in developing nations. This practice involves establishing specialized services for small and medium-sized enterprises (SMEs) or collaborating with non-profit organizations to support community-driven initiatives.

- Managing social, environmental, and economic risks:

Risk management in responsible banking involves a holistic view of the bank's impact and operations on society. This aligns directly with the bank's Corporate Social Responsibility (CSR) policy. Responsible banks prioritize financial performance without excluding social and environmental concerns.

The implementation of CSR policies includes overseeing the nature of financed projects and providing credits and responsible financial services. Ethical financing is defined by how funds are utilized, avoiding sectors leading to human rights violations or environmental harm.

Responsible banks actively promote sustainable development and the social and solidarity economy by favoring high-performing companies in their financing strategies, setting new standards for customers and suppliers. However, assessing the genuine social and environmental impact of banking activities is challenging due to the flexible and imprecise evaluation methodologies used.

Despite banks' relatively lower energy consumption, social and environmental standards extend to internal practices, including energy conservation, water management, waste handling, and transportation, among others, expected from the bank and its employees.

- **Relationship with stakeholders:** Certainly, the most comprehensive and widely acknowledged definition of stakeholders, attributed to Freeman (1984), encompasses "any group or individual who can influence or is impacted by the organization's objectives." Stakeholders serve as fundamental components essential for an organization's sustainability, establishing a mutual relationship between the company and its environment. This relationship can involve stakeholders influencing the organization without being directly affected by its decisions and vice versa, considering both voluntary and involuntary connections to risks associated with the company's activities.

Embedded within the concept of Corporate Social Responsibility (CSR), stakeholder management enables a bank to comprehend its relationship with the environment by aligning its goals with stakeholder expectations and demands. This approach emphasizes the significance of stakeholders in defining social responsibility and performance, aiming for a balance between managerial goals for financial and non-financial performance to pursue long-term interests. This emphasis on stakeholder consideration facilitates transparency, high-quality governance, and financial profitability, thereby supporting shareholders' interests.

In adopting a comprehensive policy that encompasses compliance and responsiveness to stakeholders, a bank seeks external validation while also structuring avenues for broad stakeholder participation. This may involve various stakeholders, such as employees, shareholders, or members, influencing the bank's strategies directly through mechanisms like bylaws.

Furthermore, a responsible bank assumes the role of propagating its business model to stakeholders. As a vehicle for economic activity, the bank serves as an influential channel to encourage socially responsible behavior from its customers and investors, utilizing its position to promote ethical practices within its sphere of influence.

2.3. Objectives of the responsible bank:

The objectives of a responsible bank encompass various crucial facets:

- Facilitating access to credit as a fundamental right through banking operations, involving the collection of funds and their redistribution in the form of loans to support projects in cultural, social, and environmental domains.

- Fostering social inclusion, sustainable development, the advancement of the social and solidarity economy, and the promotion of social entrepreneurship through their operational activities.

- Engaging in responsible finance involves an indirect influence on others by showcasing alternative banking approaches and initiating broader discussions about the future direction of the banking industry, highlighting the possibility and necessity for change.

- Emphasizing non-monetary values, responsible finance prioritizes the utilization of funds to contribute to the public good and drive economic, social, and environmental development.

Therefore, the social bank, despite ensuring the economic feasibility of its activity, does not only aim to maximize its profits. It is the priority goal of traditional banks, so it highlights three elements that must be lawfully taken into account when judging investment and loan opportunities:

Profit: Although it is no longer a primary goal, fair profit is necessary to ensure the bank's continuity and economic sustainability.

Environment: The Bank takes this aspect into account, both in the way it operates and in the projects it finances.

Community: Prioritizing society and striving for balanced societal progress are key aspects that encourage responsible banks to center their activities around their core functions, such as collecting deposits and providing credits, all while upholding their core values. This approach signifies that profit pursuit shouldn't be an unconditional goal, but rather a means to sustainably support these values and contribute positively to society as a whole.

3. The social responsibility of banks

Indeed, attending to social services is not only a moral obligation but also a strategic avenue for banks to enhance productivity and augment profits. Research indicates that banks that prioritize their social surroundings tend to achieve greater profitability over the long haul. To fulfill their social responsibilities, banks adopt various policies, including donations, financing for small and medium-sized enterprises, supporting health and educational services, and investing in environmentally friendly projects (responsible financing). These efforts contribute to both societal welfare and the bank's overall financial success.

3.1 Definition of the social responsibility of banks :

The definition of corporate social responsibility has undergone fundamental changes over time and continues to evolve with the development of society and its expectations. No definition of corporate social responsibility has universal acceptance, nor is there a consensus on a definitive list of the issues it covers. It is usually accepted that corporate social responsibility is neither an act of charity on its part nor absolute compliance with the law. The common denominator among most definitions is that corporate social responsibility is a concept according to which organizations include social and environmental concerns in the policies and activities of their businesses, intending to improve their impact on society. Below are examples of some definitions:

(United Nations Publications, 2004, p. 27).

International Chamber of Commerce: “Voluntary Commitment of Businesses to Responsibly Manage Their Activities”

International Business Leaders Forum: “Corporate social responsibility means business practices that are open, transparent, and based on ethical principles and respect for employees, the community, and the environment. It is designed to create sustainable value for society at large, as well as shareholders.”

The social responsibility of banks encapsulates their obligation to address the needs of various stakeholders, encompassing shareholders, customers, employees, and the environment. This responsibility extends beyond merely generating profits for shareholders; it involves advancing the interests of all societal stakeholders.

This responsibility involves internal stakeholders like shareholders, borrowers, depositors, employees, legal structures, and regulations, alongside external stakeholders such as the government, the environment, and society at large. Banks' social responsibility is multifaceted and all-encompassing, necessitating stringent regulation to align with the objectives set by senior management. This oversight helps ensure stability within the banking sector by managing the inherent risks associated with asset management and banking operations (Khawi Muhammad, 2022, p. 04).

3.2. Dimensions of banks' social responsibility.

Four dimensions make up social responsibility, which were adopted in this study as social responsibility variables, which are:

- **The economic dimension:** The economic facet of social responsibility revolves around principles of competition and technological advancement. It encompasses several elements,

including fair competition, which aims to prevent monopolies and protect consumer interests, as well as adherence to competition regulations without causing harm to competitors. This viewpoint of social responsibility aligns with the primary objective of maximizing profits within business organizations, viewing social contributions as incidental byproducts of the economic dimension (Mohamed Nasser Jaradat, Ahmed Ismail Al-Maani, 2011, p. 313)

- **The legal dimension:** Legal responsibility within the business sector's interest in social responsibility encompasses various aspects, notably environmental preservation, consumer safeguarding, and active participation in community problem-solving. Issues like environmental pollution stemming from factory waste disposal in water bodies, resulting in harm to marine life and air pollution caused by factory emissions, illustrate the challenges.

This facet of responsibility includes consumer protection laws to prevent fraud and counterfeit activities. It also addresses environmental conservation by regulating resource usage, and waste disposal, and ensuring equity and justice for individuals, regardless of race, gender, or religion. Additionally, it involves assisting individuals in cases of injury or retirement and providing employment opportunities for women and the disabled.

- **The moral dimension:** Ethical responsibility in the corporate realm revolves around adherence to moral principles, societal values, respect for human rights, and the prevailing norms within a society. This facet of responsibility emphasizes doing what is deemed right and just, avoiding harm to others, and ensuring that a company upholds agreed-upon principles while determining the ethical nature of its actions.

- **The humanitarian or charitable dimension:** Certainly, the philanthropic responsibility of companies is often viewed as discretionary, and challenging to assess or quantify. This dimension aligns with the principle of enhancing the overall quality of life and involves a company's contribution to addressing societal issues as an integrated part of society. Companies are expected to engage in national events and festivities and extend support during natural calamities like earthquakes or fires. Additionally, they're responsible for tackling poverty and unemployment issues, providing healthcare, education, cultural and sports services, supporting orphanages and elderly homes, and actively participating in environmental preservation and initiatives for a greener planet (Mohamed Nasser Jaradat, Ahmed Ismail Al-Maani, 2011, p. 315)

3.3.Areas of social responsibility of bank :

Social responsibility goes beyond just philanthropy. It encompasses various aspects that prioritize stakeholders' rights, compliance with laws and regulations, health and environmental considerations, upholding human rights, and fostering the development of local communities, all while balancing the pursuit of financial profit. This comprehensive approach ensures a holistic commitment to societal well-being.

The areas of social responsibility of banks can be explained as follows:

- The bank's social responsibility towards society:

Business organizations must work to improve social welfare in general, by contributing to charitable, sporting, cultural, and artistic activities, which contribute to raising the taste of society, and not violating the principles of human rights.

The bank must identify the needs of society and seek to contribute to meeting them. The bank can achieve this through:

- The Bank's contribution to meeting the needs of society and sponsoring its activities;
- Supporting non-profit organizations;
- The Bank establishes a dialogue with institutions that represent stakeholders.

- **The bank's social responsibility towards customers:** Customer-centric social performance involves delivering products and services at suitable prices and varieties, offering precise

guidance on product/service usage, ensuring accountability for any post-sale issues, and upholding ethical standards and fair competition regulations.

- **The bank's social responsibility towards competitors:** The necessity of committing to fair and honest competition not harming the interests of others, and not withdrawing workers from other competitors in an unfair manner is evident.

- **The bank's social responsibility towards the environment:** By complying with environmental laws, conserving resources and energy, preventing sources of pollution, implementing waste disposal strategies, and contributing to the exploration of new raw materials and energy sources (Samia Toubal, Amin Ferroukhi, 2018, p. 238).

The bank can embody this through the following practices: (Hanan Mabrouk Darahmoun, 2018, p. 152).

- Linking environmental performance to the bank's mission ;

- Not financing projects that may harm the environment;

- Contributing to activities related to environmental protection;

- The existence of ethical codes for the environment;

- Involving environmental representatives in the Board of Directors;

- Rewards and incentives for distinguished customers in environmental activities.

- **The bank's social responsibility towards employees:** The rise in worker satisfaction has been observed since the Hawthorne experiments conducted in the 1920s. These studies, led by management scientist Alton Mayo in Western Electric Company's factories (known as *the Hawthorne Factories*), aimed to explore the impact of physical factors like lighting, comfort, and wages on worker productivity—a fundamental factor in achieving efficiency. To achieve employee satisfaction within an organization, a commitment to social responsibility towards employees is essential. Taylor's principles, such as selecting the right personnel, material incentives, and training, have played a role in emphasizing the human element, ultimately striving to enhance productivity and attain optimal performance methods (Hussein, Ahmed Ali Ahmed, 1994, p. 1402).

Based on the above, there has become a commitment on the part of banks to exercise a degree of social responsibility towards employees, through a set of indicators or factors such as: (Ahmed Sami Adly, Ibrahim Al-Qadi, 2010, p. 23).

- Respect for the human element;

- Evaluating and motivating employees;

- Providing ways for mutual dialogue between the bank and its employees.

- **The bank's social responsibility towards shareholders:** The paramount importance of obligations towards shareholders underscores the necessity of providing timely and consistent information related to the bank, safeguarding their assets by preserving the bank's integrity, engaging them in decision-making processes, ensuring equal treatment, and honoring their financial rights transparently.

4. The experience of responsible banks - the Arab Bank as an example -

To gain a comprehensive understanding of a responsible bank, the Arab Bank was chosen for specific reasons. Notably, it consistently ranks among the top ten banks in the Arab world, displaying notable advancements in environmental, social, and corporate governance practices over successive years. Furthermore, the bank has been recognized by esteemed international organizations, receiving accolades such as the Best Bank in the Middle East award for seven consecutive years from Global Finance magazine, as well as being honored as the Best Sustainable Finance Bank in Jordan and receiving the Best Corporate Social Responsibility Program Award in the Middle East in 2022. These accolades underscore the bank's credibility and its influential role in strategic community involvement. The study's empirical data was

sourced from the bank's annual reports and sustainability reports available on its official website.

4.1. An overview of the bank under study (Arab Bank):

The Arab Bank, established in 1930 and headquartered in Amman, Jordan, boasts an extensive global network comprising over 600 branches spread across five continents. Its reach extends to various regions including the Arab world, Europe, America, and Asia, encompassing nations like Jordan, the United Arab Emirates, Bahrain, Algeria, Yemen, Morocco, Singapore, Palestine, Qatar, and others. Providing a diverse array of banking products and services, the Arab Bank caters to the needs of individuals, businesses, and global financial institutions.

The bank's commitment to corporate social responsibility (CSR) was highlighted by its receipt of the "Best Corporate Social Responsibility Program" award in the Middle East for 2015 from EMEA Finance International. This recognition acknowledged the bank's remarkable accomplishments in integrating CSR within its comprehensive sustainability strategy, particularly in the sphere of community engagement. This endeavor is one of the key pillars of the bank's sustainability strategy, which revolves around responsible financing, employee empowerment, transparent reporting, optimal system accessibility, and community collaboration.

In 2015, the Arab Bank issued its fifth sustainability report for the year 2014, adhering to the fourth-generation guidelines set forth by the Global Reporting Initiative. This initiative marked the bank as a pioneer in the Kingdom for adopting these globally recognized reporting standards, reflecting its steadfast commitment to maintaining a pioneering institutional approach at economic, social, and environmental levels.

4.2. Dimensions and indicators of Arab Bank's social responsibility disclosure

In our applied study, we aim to identify specific indicators and disclosure elements for the Arab Bank that align with the dimensions, standards, and areas of social responsibility discussed in the theoretical part of our research. These dimensions and indicators of disclosure are intended to reflect the Arab Bank's social responsibility practices, reaffirming its status as a responsible bank. These indicators will be observed in various reports, including annual reports and responsibility reports, throughout the study period.

The identification of indicators and elements for the disclosure of social responsibility by the Arab Bank involves delving into the bank's strategic approach to sustainability, notably its "Together" social responsibility program. The sustainability strategy of the Arab Bank is constructed upon its foundational values, emphasizing stability and well-established banking practices in institutional operations. This strategy propels the bank to undertake impactful activities and procedures aimed at making positive contributions to communities and generating added value to address the growing economic, social, and environmental challenges faced by relevant stakeholders.

In defining its role in sustainability, the Arab Bank integrates social, environmental, economic, and ethical aspects into its daily operational strategy. These aspects represent the primary axes of the bank's sustainability approach, encompassing responsible financing, employee empowerment, transparent reporting, access to optimal systems, and community cooperation (Report Sustainability 2020, p. 10)

The model employed by the Arab Bank encompasses various approaches to foster community engagement, notably through its "Together" program initiated in 2009. This expansive program epitomizes corporate social responsibility, aiming to engage employees, clients, and non-profit institutions in sustainable community development initiatives. Partnerships with entities like the King Hussein Cancer Foundation, Al Aman Fund, Tkiyet Um Ali, the

Madrasati Initiative, and the Royal Society for the Conservation of Nature enable active participation in diverse activities and initiatives.

The "Together" program facilitates customer contributions through various banking channels, including branches, ATMs, online banking, and phone banking. Customers can support education, aid orphans and the disadvantaged, and contribute to health and environmental causes. Contributions made through these channels are directly transferred to the designated organizations, with the bank forgoing any commission on these transactions.

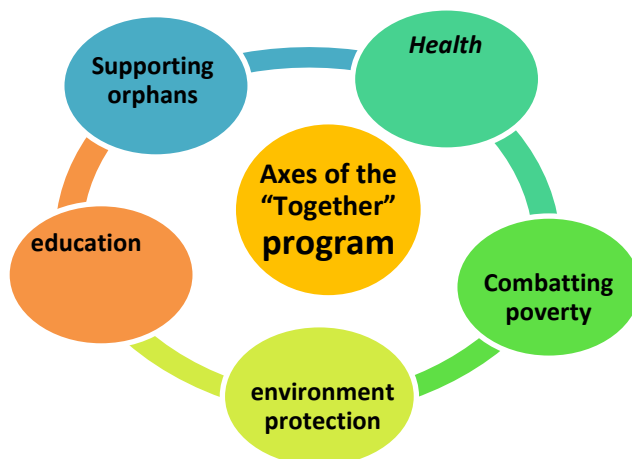
Furthermore, in recognition of the significance of customer involvement in community service, the Arab Bank has streamlined donation processes to the aforementioned non-profit organizations. An innovative initiative is the "Together" Platinum Visa Card, a unique offering where 0.5% of the customer's monthly purchase bill is matched by the bank. The combined sum is then donated to the five participating non-profit organizations at the end of each month. Additionally, the bank contributes 50% of the card's annual membership fees to these organizations. Notably, this card stands out as a distinctive offering in the Middle East, Africa, and Europe.

The "Together" program strategically focuses on various key areas, identified through comprehensive assessments of local community needs and priorities. These areas encompass health initiatives, poverty alleviation, environmental conservation, educational support, and aid for orphaned individuals. In line with the main axes that have been identified, and the bank's strategic approach in the field of social responsibility, the "Together" program is keen to achieve the following goals: (Sustainability Report 2019 p.)

- Employee participation in volunteer activities;
- Providing support and cooperation with several non-profit institutions;
- Using banking channels to encourage customer donations.

The following figure represents the most important Topics of the "Together" social responsibility program of the Arab Bank.

Figure n°(2): Axes of the "Together" social responsibility program of the Arab Bank



Source: Designed by the researched using: Sustainability Report 2019, Arab Bank, p. 50.

Arab Bank has constructed a robust framework for its community investments, aiming to unify various stakeholders-society, employees, the environment, and customers-toward common values and a positive societal influence. Here's a table outlining these stakeholders, their benefits, and the means of communication:

Table n° (1): Methods of achieving benefit for relevant Arab parties, and communication mechanisms

The relevant authorities	The needs and aspirations of relevant parties	Mechanisms for communicating with relevant parties
Customers	Providing financial services to customers and companies that are smooth, innovative, secure and meet their needs.	- Services and communication channels with customers -Means of feedback - Periodic reports - Media and marketing
Contributors	Creating an appropriate long-term return in accordance with best ethical practices and good governance .	- Annual General Assembly meeting -Financial and non-financial reports.
Employees	Creating an integrated work environment where those with the best skills want to work and develop.	- Internal communication channels - Volunteer activities .
Governments	Applying the best government and business practices, adhering to laws and procedures, and issuing transparent periodic reports.	- Monthly reports submitted to regulatory bodies - Regulatory reviews - Regulations and laws.
Suppliers	Choose suppliers responsibly and supportive of the community.	- Meetings - Contracts
the society	Supporting the communities in which we work to address their economic, social and environmental issues.	- The media -Social and digital media - Annual reports - Community activities and initiatives.
the environment	Supporting the transition to a future capable of adapting to climate change.	Communicating with clients and borrowers regarding economic, social, environmental and governance issues - Supporting non-profit institutions in the field of the environment - Sustainability reports

Source: Designed by the researcher based on the information available in the Arab Bank’s Sustainability Report for 2019, p. 13, and the Arab Bank’s Sustainability Report for 2021, p. 9.

The bank transitioned from general sustainability reports to more focused ones concerning environmental, social, and governance (ESG) matters. This shift underscores its dedication to responsible investment and the assessment of its influence concerning ESG risks. This approach involves constructing a comprehensive framework for managing ESG concerns, along with devising precise metrics to gauge their impact on investment activities.

ESG topics encompass criteria for assessing a company or investment's environmental, social, and governance performance. These factors may encompass various aspects, including a company's carbon footprint, operational practices, board structure, and ethical business policies (Environmental Sustainability and Governance Report 2022, Arab Bank, p. 7)

3- Evaluating Arab Bank’s practices as a responsible bank during the period 2019-2022

- The bank’s practices in the field of corporate governance: “Corporate governance” is the most influential factor in enabling the organization to bear responsibility for the impact of its

decisions and activities and integrating social responsibility throughout the organization and in its relationships (Hussein Reda Mahdi, 2018, p. 2)

Corporate governance plays a distinctive role within the realm of social responsibility, serving as a crucial area for organizational action and enhancing its capacity to uphold social responsibility across other essential spheres, tailored to its operational landscape.

Arab Bank's approach involves incorporating and overseeing environmental, social, and governance concerns within its governance framework. This encompasses responsible conduct, fostering trust, and effectively managing environmental and social matters.

- **Governance:** The Arab Bank places significant emphasis on upholding robust corporate governance principles. The Board of Directors is steadfast in adhering to the highest professional standards across all bank operations. This commitment ensures responsible, ethical, and efficient functioning, ultimately benefiting customers, shareholders, and society at large.

Comprising eleven members, the Board includes five independent members, accounting for 45.5% in 2022, all serving as non-executive members. These Board members, who are also shareholders, undergo election during the regular General Assembly meeting for a four-year term. Selection criteria are based on their expertise, financial and banking competencies, and extensive experience.

- **Conduct and trust:** The Arab Bank maintains a commitment to ethical conduct in its operations, enabling it to meet obligations to all relevant stakeholders. The bank adopts a stringent approach that not only complies with regulatory standards but also rigorously monitors its operations. This oversight ensures system security, operational efficiency, and a robust risk management strategy. In this context, **the Charter of Professional Conduct represents** the supreme policy that forms the basis for the commitment to implementing the bank's operations with the highest ethical and integrity requirements, which must be adhered to by employees in the performance of their daily duties. **The Charter of Professional Conduct** is available for all employees to view via the Arab Bank's internal network, where they confirm their commitments to it. In order to support **the Charter of Professional Conduct**, the bank implements a number of policies that include all sectors of the bank, and among these policies are the anti-corruption and bribery policy, the know-your-customer policy, anti-money laundering, and combating the financing of terrorism.

- **The Bank's practices in the field of the environment:** The Arab Bank is committed to supporting the transition of economies to low-carbon economies, and the Bank's approach in this field is as follows:

- Contribute positively through the bank's environmental financing solutions;
- Reducing the environmental impact of the bank's business portfolio;
- Reducing the environmental impact of the bank's internal operations portfolio;
- Reducing the environmental impact resulting from the bank's supply chain.

- **The Bank's practices in the social field:** The Arab Bank is committed to advancing social development:

- **Clients:** Creating impact through sustainable finance;
- **Employees:** To become their preferred workplace;
- **Community:** Promoting social responsibility;
- **Social Impact of Our Suppliers:** Supporting local suppliers.

Based on the metrics associated with each domain, we will examine the Arab Bank's reports over four consecutive years to assess its adherence to social responsibility and its transparency in disclosing indicators across environmental, social, economic, and governance dimensions. The subsequent tables provide a summary of **diverse indicators** pertaining to the Arab Bank's

environmental, social, economic, and governance aspects during the specified period. 2019-2022

Table n° (2): Summary of Arab Bank’s governance indicators for the period 2019-2022

axes	elements	Indicators	Years			
			2019	2020	2021	2022
Governance axis	Governance structure and board of directors	Percentage of independent members on the Board of Directors	%55	%55	36%	45%
	Confirmed incidents of corruption		-	-	-	0
	Customer privacy	The total number of substantiated complaints received regarding violations of customer privacy	-	-	-	0

Source: Environmental Sustainability and Governance Report 2022, Arab Bank, p. 34

Based on the governance metrics detailed in the table above, it's evident that the Arab Bank adheres to governance standards. Notably, the average proportion of independent board members over the study period stands at 63.67%. Additionally, indicators such as confirmed corruption incidents and resolved complaints were monitored. Information on customer privacy violations revealed no recorded cases in 2022.

Table n° (3) :Summary of indicators of Arab bank’s environmental topics for the period 2019-2022

Axis	elem ents	indicators	period			
			2019	2020	2021	2022
Environmental Axis	Green financing	Impact of Arab bank Green infrastructure investments in Jordan since 2012				
		- Loanes and facilities provided to support Environmentally friendly infrastructure projects since 2012(USD Million)	/	/	/	303
		- Renewable energy capacity added to the Jordanian grid annually(MW)	/	/	/	785
		-Estimated cuts in carbon dioxid emissions(tons CO2e)	/	/	/	1 ,271
	Our operations	Direct energy use				
		- Total direct energy use(GJ)	9,685	8,234	10,125	11,442
		- Total electicity consumption (KWh)	17,985,57	17,998,0	17,999,9	19,288,9
	Indirect energy use					

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	- Total electricity consumption from renewable resources (KWh)	14,190,5	16,258,0	16,850,7	17,524,2
	- percentage of consumption from renewable resources	78,9%	90,3%	93,6%	90,9%
	GHM emissions(tons CO2e)				
	- Total GHM emissions(tons CO2e)	9,568	9,462	9 ,672	10,541
	water consumption				
	- Utility water consumption (m ³)	59,503	45,732	52,710	53,807
	- water consumption per employee(m ³)	18,4	14,1	15,6	15,4
	Material and waste management				
	-total weight of paper purchased(tons)	/	/	/	302
	- total paper recycled(tons)	/	/	52	100
	-percentage of paper recycled	/	/	/	33,1%
	- total waste generated(tons)	/	/	624	520

Source :ESG (Environnement Social and Governace) Report, Arab Bank, 2022, p[35-37]

The data highlights the Arab Bank's commitment to supporting the transition to low-carbon economies. It pursues a strategy contributing positively through environmental financing solutions (green financing), directing funds toward eco-friendly infrastructure projects since 2012, totaling \$303 million. Moreover, efforts to reduce the bank's environmental impact internally involve measuring and managing direct operational effects like energy use, gas emissions, greenhouse gases, water consumption, and material use. In 2022, approximately 91% of the bank's total electricity consumption came from renewable energy sources.

Following reduced pandemic-related restrictions, indirect energy consumption in 2022 increased to 19,288,957 compared to the previous year's 17,799,968. The bank also recycled 100 tons of paper, equivalent to 33.1% concerning the total water consumption indicator in its facilities. Continued efforts to optimize water usage involve installing water-saving devices across various bank facilities.

The Arab Bank's environmental indicators for 2019-2022 display various trends. Table No. (06) highlights the bank's social responsibility indicators. Some metrics experienced growth during the study period, including facilities provided to small and medium-sized companies (in million dollars), non-profit institution employees engaged in the "Together" program, the number of training courses, total customer donations, and the percentage of spending on local suppliers.

However, certain societal indicators saw a decline due to the COVID-19 pandemic restrictions. In 2022, as these restrictions eased, the bank gradually resumed volunteer activities, resulting in a substantial rise in volunteer participation rates (from 19 activities in 2021 to 63 in 2022). This shift indicates a positive resurgence in the bank's societal engagement following the pandemic limitations. (Sustainability Report 2022, p. 26)

Table no (4) :Summary of indicators of Arab bank’s social topics for the period 2019-2022

Axis	elements	indicators	period			
			2019	2020	2021	2022
Social axis	Our customers	Supporting SMEs				
		SME lending portfolio(USD million)	1,023	1,032	996	1,034
	Our people	Nationalization				
		- Nationalization rate	99,6%	99,6%	99,7%	99,7%
		- Nationalization rate fore senior management	85,4%	85,1%	87,0%	88,40%
		- Nationalization rate for branch and district managers	100%	100%	100%	100%
		Average training				
		- Average training hours per employee	18,9	4,0	10,5	11,9
		Training and development				
		- Total number of training courses	664	599	1.029	791
		- Total training hours	61.2 78	13.137	34.448	41.477
		- Total cost of training (000 JOD)	/	/	957.400	1.949.0
	Our community	Community investisment				
		- Total Community investisment spending(000 JOD)	24.949	26.195	11.640	20.786
		- Pre-tax profits invested in the community (Arab Bank PLC)	3,2%	27,5%	3,9%	3,3%
		Together volunteering program by gender				
		-Number of volunteers	395	42	23	456
		- Number of beneficiaries	289.500	126.225	111.625	92.452
		Together capacity building program				
		- Number of NOG employees attending courses	126	87	89	167
		- Number of courses	7	7	7	9
		- Number of training hours provided	753	369	330	884
	- Total donations	659.765	1.789.168	1.938.115	2.233.157	
	Our suppliers	Support for local suppliers				
		-Percentage of local procurment spending from total procurment spending	69%	70%	68%	65%
		- Total number of suppliers	498	575	630	720
		- Total number of local suppliers	317	400	432	502

Source :ESG (Environment Social and Governance report, Arab Bank, 2022, p[37-44]

Over the period of 2019-2022, the Arab Bank's social initiatives and impact were significant. The "Together" program notably expanded, offering opportunities for bank employees to engage in diverse activities and collaborative projects. These initiatives were conducted in partnership with key non-profit institutions, including:

1. King Hussein Cancer Foundation: Focused on health-related initiatives.
 2. Tkiyet Um Ali: Centered around combating poverty and addressing hunger issues.
 3. The Royal Environmental Protection Fund: Aimed at environmental protection endeavors.
 4. Al-Aman Fund for the Future of Orphans: Dedicated to education and supporting orphans.
- (Sustainable Development, Its Concept and Applications, Arab Bank, 2014, p. 13)

The following are the most important initiatives implemented by the Arab Bank in various sectors during the period 2019-2022:

Table (5): Initiatives implemented by the Arab Bank in health sectors during the period 2019-2022

Axes	2019	2020	2021	2022
Health	- Back to school - King Hussein Cancer Foundation - A goal for life - King Hussein Cancer Foundation - Air Ambulance Center -School Health Program - Royal Society for Health Awareness	-Back to school - King Hussein Cancer Foundation - Air Ambulance Center -School Health Program - Royal Society for Health Awareness	- Back to school - King Hussein Cancer Foundation - A goal for life - King Hussein Cancer Foundation - Air Ambulance Center -School Health Program - Royal Society for Health Awareness	- Back to school - King Hussein Cancer Foundation - Hussein Cancer Research Award - King Hussein Cancer Foundation Mental Health - Program - Royal Society for Health Awareness -Air Ambulance Center -School Health Program - Royal Society for Health Awareness

Source :ESG (Environment Social and Governance report, Arab Bank, 2022, p[37-44])

Table (6): Initiatives implemented by the Arab Bank in Environment protection sectors during the period 2019-2022

Axes	2019	2020	2021	2022
Environment protection	<ul style="list-style-type: none"> - A safe and stimulating environment program - My School Program 	<ul style="list-style-type: none"> Viva Village Development Project - Royal Society for Environmental Protection 	<ul style="list-style-type: none"> - A safe and stimulating environment - My School Program 	<ul style="list-style-type: none"> - Reserves MarketRoyal Society for the Conservation of Nature - Supporting development projects in reserves - the Royal Society for the Conservation of Nature - Clean Up the World Campaign – - Royal Society for the Conservation of Nature -WaterSymposium Program - Oranda Tribe

Source :ESG (Environment Social and Governance report, Arab Bank, 2022, p[37-44]

The tables illustrates the Arab Bank's collaboration with several non-profit institutions throughout the studied period. This collaboration aimed to drive initiatives with a positive community impact. The bank closely partnered with these institutions, leveraging their expertise and knowledge across the core themes of the "Together" program, namely health, environmental protection, education, poverty alleviation, and orphan support.

This cooperative effort involved the development and execution of community-driven initiatives and programs as part of the bank's broader community investment framework. By combining forces with these institutions, the Arab Bank actively contributed to addressing pressing social issues within the communities it serves.

5. RESULTS AND DISCUSSION :

- The finance sector, especially banks, is increasingly prioritizing social responsibility, evident in the rising prevalence of green finance and the integration of environmental concerns within these institutions.
- Assessing institutional performance and building reputations no longer hinges solely on economic profitability. Instead, it extends to encompass social and ethical dimensions, signaling the traditional economy's shift towards embracing social responsibility concepts.
- Research shows that practices related to social responsibility vary, and there's a lack of uniformity in the adoption of corporate social responsibility among banks. Notably, the Arab

Bank has exhibited a growing commitment to a social responsibility-oriented approach, aligning with its objectives of safeguarding future generations.

-In 2009, the bank initiated the "Together" program, a comprehensive initiative that reflects the institution's dedication to fulfilling its social responsibilities. The program's objectives center on fostering collaboration, volunteerism, and civic engagement. It emphasizes continual support, contribution, and active involvement in advancing societal progress and well-being by partnering with various non-profit organizations.

-Moreover, the program allows customers to contribute through multiple banking channels like branches, ATMs, online platforms, and phone banking. These contributions support diverse causes including education, aiding orphans and the underprivileged, and addressing health and environmental concerns. Importantly, contributions directed to beneficiary accounts are exempt from associated fees or commissions.

- The Arab Bank places significant emphasis on transparently disclosing its social responsibility practices, a commitment that serves to enhance its standing within the competitive banking market and improve its image in society. To achieve this, the bank has transitioned from general sustainability reports to more targeted ones focusing specifically on environmental, social, and governance (ESG) matters. This shift showcases the bank's dedication to responsible investment and the systematic measurement of its impact concerning ESG risks, including the development of precise indicators to gauge the influence of these factors on the bank's investment activities.

- The bank has outlined its sustainability role, integrating social, environmental, economic, and ethical dimensions into its daily operational strategies. This integration forms the core pillars of the bank's sustainability efforts, including responsible financing, empowering employees, transparent reporting, optimizing access to systems, and fostering community collaboration.

- Moreover, the Arab Bank places considerable importance on upholding robust corporate governance principles. The Board of Directors is committed to applying the highest standards of professionalism across all bank operations. This commitment ensures the bank's responsible, ethical, and efficient functioning, contributing positively to its customers, shareholders, and society as a whole.

- The tables presented contain indicators that serve as crucial benchmarks for assessing the bank's performance. These indicators not only reflect the bank's transparency but also meet stakeholders' expectations for responsible business practices by demonstrating a high level of accountability.

6. CONCLUSION

Banks hold a crucial position in funding the economy and have increasingly become a focal point in corporate governance, particularly since the early 2000s. This prominence is due to their association with enhancing organizational effectiveness and contributing to societal development initiatives. Consequently, the concept of corporate social responsibility (CSR) is marked by the simultaneous presence of ethical and administrative perspectives, shaping its essence.

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