

CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN THE
LEBANESE BANKING SECTOR: A REALITY OR A MYTH?

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Master of Science In Business Strategy

by
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ABSTRACT

Purpose – The purpose of this research is to study the difference between the CSR reporting and the CSR execution in the Lebanese banking sector specially during the current financial crisis and lack of trust between the customers and the banks' administration as a whole.

Design/methodology/approach – To proceed with this study, we used the quantitative method by extracting data and information for 13 Lebanese banks and calculating the sovereign exposure debt of all these banks separately and comparing them to their disclosed CSR practices.

Findings – Our research showed that not all CSR actions are being reported, in addition not all CSR reporting are being executed and we also found that within the sample of 13 banks we studied, only three banks were compliant with the accepted sovereign debt ratio of Basel based on standard approach.

Research limitations/implications – It is to mention that when performing our study, we faced a problem in the data collection since CSR reporting was not up to date, when available, and was dated back to December 2018.

Practical implications – This study highlighted for the depositors the practices banks are implementing on their funds, and the discrepancies between the disclosed practices and the exercise of CSR in terms of critical exposure.

Originality/value – This research is one of the first studies conducted during the economic and financial crises Lebanon is facing; the study allowed us to measure in numbers the CSR execution within the Lebanese banking sector and it can be considered as a steppingstone for more advances studies.

Keywords – Corporate Social Responsibility (CSR), Lebanese banking sector, sovereign debt exposure.

CHAPTER 1-INTRODUCTION

1.1- General Background

In this modern world, globalization created a financial system that includes banks, financial institutions, financial instruments and financial services (Jamali, Zanhour and Keshikian, 2009), in which they operate under a financial service supervision (Mwenta, 2004). Although each country has its own financial system with specific features, all systems operate on the national and the international markets catering to the needs of three related parties: lenders, investors and borrowers (Kang & Moon, 2012). The modern financial institutions, in this era, rely on liquidity creation as a fundamental function for banks; this liquidity creation is vital for the economic growth at a macro economical level (Berger & Bouwman, 2016). However, and in order for banks to offer their financial services, they first need to monitor their liquidity, and of course the liquidity risk (Pagratis, Topaloglou, & Tsionas, 2017). In this contemporary system, where banks have a central role in the modern economy and in society as a whole, they must be acknowledged as being safe. Therefore, liquidity is key, it guarantees a safety margin, since it is an indicator of the comfort, cost and frame time needed for a bank to meet the demands for liquidity from its liability, equity, and off-balance sheet customers. The management of the liquidity is accomplished by decreasing the bank assets or by increasing the banks' liabilities (Berger & Bouwman, 2016). Within their business model, banks accept deposits from one side and offer different type of loans from the other side; banks have different type of deposit accounts and a complex portfolio of loans offered to all types of customers, in addition, banks can sometimes

invest the deposited amounts in financial instruments to generate profits and refund the deposits on maturity (Achua, 2008). They usually consider that government securities in all forms, debt instruments or products that a sovereign government sells to finance day-to-day governmental operations and provide funding for special infrastructure and military projects or Certificate of Deposits (CD), are risk free or low-risk investment because they are backed by the taxing power of a government (Bektashi & Nuhiu, 2017). Those treasury securities, beside savings bonds, are liquid and are seriously traded in the secondary market (van Schalkwyk & Witboo, 2017). Also, Eurobonds can be used by governments or private entities when they are in need of foreign money for a specified period of time, they are considered long term agreements used to improve market discipline and to reduce sovereign debts to sustainable levels. Eurobonds are limited in both time and amount (Hild , Herz , & Baue, 2013).

In times of crisis, we usually witness a deterioration of financial indicators, an increase in unemployment, a decline in housing prices and a massive increase in government debt (Reinhart, 2009). Yet again, the after crisis, is always a phase to learn from the mistakes and move on, but sometimes financial crisis can have a direct impact on the banking sector which was the case in 2008, where the banking activities were affected and we witnessed major restructuring in the banks' lending strategies since they somehow shifted to retail banking (Paulet, 2011). In our current study, we will take the case of Lebanon where the economy relies on services and mostly on the banking sector, a sector that witnessed record deposits and an outstanding performance during the global financial crisis of 2008 (FFA Private Bank SAL, 2009). In fact, an inflow of 10.5 billion of dollars in customer deposits was recorded in one fiscal year of which USD 2.6 billions of dollars

were added only in the last quarter of 2008, during the peak of the worldwide financial crisis. In the fourth quarter of 2008, the nonresident deposits increased to reach 22% as a consequence of the confidence in the Lebanese banking sector (FFA Private Bank SAL, 2009). The increase came mainly from Lebanese expats or of Lebanese origin who showed a high interest in keeping their funds in the Lebanese banks despite the multitude of political and security issues that occurred in Lebanon (Association of Banks in Lebanon, 2017). The Lebanese banking sector rapid growth can be linked to 2008 crisis that affected the sector positively. Local banks were competing with international competitors and always aimed to reach the same level, therefore, and in order to be up to the level, local banks decided to implement Corporate Social Responsibility (CSR) in their strategy and wanted it to be embedded in their vision and mission (Aguinis & Glavas, 2012). Some local banks went further in their quest for universal exposure and showed high interests in CSR and used the ISO 26000 as standards providing guidance specific for CSR. CSR can be seen as “Ethical banking” and includes environmental improvement, creation of opportunities, establishment of equality for public services and utilities, the support of needy people, trust transparency, and respect for moral and ethical principles beyond legal duties (Bijan & Mahshid, 2016).

The concept of Corporate Social Responsibility saw the light in 1960, when people wanted businesses to stop causing problems and start finding solutions in order to make the world a better place (Aguinis & Glavas, 2012). For instance, companies couldn't continue harming the environment they were compelled to invest in saving mother nature (Reavis, Tucci, & Garrick, 2017), it focuses on the role of business leaders in giving back to local society (Blowfield & Murray, 2008). CSR is defined as offering social benefits

that exceed legal considerations and micro organizational interests through actions that render organizations more responsible (Orlitzky, 2013). For some time now, the entire world have shown high interest in the concept and implementation of CSR, several questions were raised regarding the nature of this concept, the strategies to be followed in order to carry out social responsibility in an efficient and effective way, and the advantages that will be gained by businesses when applying those strategies (Birindelli, Ferretti, Intonti, & Iannuzzi, 2013). However, an increased utilization of CSR mainly aims at elevating branding and positioning in the eyes of various organizational stakeholders (Lindgreen & Swaen, 2010). Taking into consideration that today's global market is becoming more socially conscious, businesses of all sizes are investing in CSR as it remains a primary topic on their agendas (Du, Bhattacharya, & Sen, 2010). Banks are seen as socioeconomic influencers, they are engaged in society since they deal with different stakeholders through a package of different services that they offer to their clients such as corporate investment, retail banking, asset management, insurance and brokerage (Quazi & O'Brien, 2000).

Banks in the Lebanese economy contribute and have a major role to provide credits for individuals and businesses and are from the first companies that started implementing CSR initiatives, and allocating a specific budget for CSR (Menassa, 2018). It is worth mentioning that the sector is regulated by the Central Bank of Lebanon (BDL) which is the bank regulatory authority. BDL controls the entry into the banking industry, defines scopes of the banking activities, and sets regulations and codes of practices for banks. Banks in Lebanon are also subject to the code of commerce and the code of money and credit (Kassem & Awdeh, 2018).

In the current research we will discuss the CSR implementation in the Lebanese Banking sector, its reporting and the difference between theory and application.

1.2- Need for the Study

Corporate Social Responsibility was introduced to the corporate world in 1998 by Shell (Knight,1998). However, the company's engagement in CSR differs from one company to another. Same applies for banks, banking defines different sets of contextual circumstances, and this leads to different CSR practices related to environmental aspects and fight against corruption and money laundering (Laidroo & O'`obik, 2014). Some banks show engagement in CSR indirectly and demonstrate responsibility towards the society and the environment by checking the companies they are lending in order not to have a to firms that pollute, produce unsafe products, violate human rights, and/or are agents of corruption (Bae, Chang, & Yi, 2018). In recent times, we saw a growing interest in understanding the concept of CSR and its implementation, but most studies were qualitative. Up until now, and based on the high interest in CSR implementation, several researchers have explored the benefits of strategically adopting CSR and its profitability matrix (Paulik, Kombo, & Ključnikov, 2015). Nevertheless, CSR practices and implementation haven't been a subject of great importance for research material in Lebanon, we still have a shortage in findings on the CSR practices within the Lebanese banks and the benefits those banks are yielding from investing in CSR. Most corporate companies in Lebanon and especially banks have integrated CSR concept as part of their strategies, mission, vision and objectives. The purpose behind their action is to grow shareholders and stakeholders' satisfaction while still respecting the economic, legal, ethical and philanthropic aspects of the business (Caruana & Chatzidakis, 2014). In the

current research, we will work on a quantitative study to measure the engagement of Lebanese banks in CSR, to see if they are just benefiting from the use of CSR as a marketing tool for good publicity and positive impact on their customers and potential clients. We will analyze the CSR sensitivity and complexity taking into consideration a sample of 13 local banks, the model of analysis will be based on banks performance in terms of ethics and social responsibility. In other words, we will assess the ethical behavior of local banks that are involved in CSR shown in their CSR reports and compare and evaluate their financial reports reflecting a tangible involvement in CSR. Therefore, the study aims to create autonomously qualitative and multidimensional indicators. The objective is to verify the CSR practices, while checking the presence or absence of actual contribution in CSR. Accordingly, we have reviewed the CSR reports published by the banks showing their involvement in CSR practices and at the same time, we collected the published financial reports of the banks over the period of fourteen years in which we can see the yearly exposure of the banks in Eurobonds, Treasury bills and Certificate of Deposits with respect to the bank's equity and compare the financial numbers over the years to the banks' involvement in CSR.

1.3- Purpose of the Study

The purpose of this study is to compare the actions to words: analyze the financial figures of the banks and compare them to the integration of CSR in their processes, and to see if CSR was implemented as a culture that affects the strategic decisions of the banks in terms of placements and liquidity risk. The research will help readers understand if CSR was only used as a marketing tool to gain clientele or on the contrary its implementation had a positive impact of the strategic decisions of the banks.

1.4- Brief overview of the chapters

The study is divided into five main chapters; the first chapter gives a brief background on Corporate Social Responsibility and the banking sector, along with the need and the purpose of the research.

The second chapter presents the literature review of Corporate Social Responsibility, where we will start by explaining the theories and framework of CSR including ISO 26000, GRI Standards and United Nations Global Compact. After that, and in the same chapter we will go further in our analysis where we will discuss CSR practices specifically in the banking sector on both international and local levels.

The third chapter explains the procedures and methodology adopted in our study. The philosophical position, the reasoning approach and the hypotheses used within the framework of this research are also detailed in this part.

The penultimate chapter describes the findings of this study, the CSR disclosure and the local banks' exposures are detailed, and a comparative analysis is conducted, and the final results are interpreted in order to accept or reject the pre-mentioned hypotheses.

The fifth and final chapter explains the findings of our research and we open the door for future researches in the field.

CHAPTER 2- REVIEW OF LITERATURE

2.1- Introduction

The CSR concept has grown significantly from the time societal problems raised in the early fifties (O'Riordan & Fairbass, 2008). However, there are previous references by several authors who have raised up the concerns regarding the responsibilities of business for example Chester Barnard in 1938 who, in his work, "The Functions of the Executives" argues that the chief of the organization should take into consideration how the accomplishments of the company can depend on the moral inducements he brings to it (Gheli 2013; Joyner and Payne 2002; Carroll, 1999). Further list of such sporadic references to the social responsibilities of business includes in the pre-fifties: Clark in his work "Social Control of Business" issued in 1939 and Kreps' measurement of the social performance of business issued in 1940.

Nonetheless, we owe what we refer to as "CSR" to Bowen in 1953 who is considered as the pioneer in the field and is called the "Father of CSR" by Carroll (1999) and later on by Windsor (2001). In his book 'Social Responsibilities of the Businessmen' in 1953, seen as a turning point in the field, Bowen defined social responsibility as "those policies, decisions and actions of the businessmen which are desirable in terms of objectives and values of our society." He emphasized that the scope of responsibilities of any business go beyond its financial performance and that businessmen are accountable for their behavior which should adhere to the values and expectations that the community defends. In 1960, Frederik considered that CSR is the readiness of the organization to use its resources not for attaining the company's goals only but for the wider interests of society too. From their side, Davis and Blomstrom (1975) considered that protecting and

enhancing public wealth along with meeting the organization's interests falls under the duties of the decision makers. A more comprehensive and detailed definition of Corporate Social Responsibility was provided by Carroll (1979) in which the responsibilities of business were not limited to obedience to state laws and profit earning but also included the expectations of the society from the organization on all levels legal, economic, discretionary and ethical. Wood's (1991) went beyond that where he considered that CSR does not see society and business as two independent entities, on the contrary both are related to each other. On the other side, Kotler and Nancy Lee (2005) saw it as a commitment of the organization towards the community using its corporate resources in order to attain the well-being of the society.

In addition, the World Business Council for Sustainable Development (WBCSD), in 2003, defined Corporate Social Responsibility as "continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large" stressing on the necessity to tackle the fears of stakeholders in achieving the main goals of the business. On the other hand, the Organization for Economic Co-operation and Development (OECD) in 2003 concluded that corporate responsibility requires from a business to have a positive impact on the society where it operates. Businesses need to function within the law and answer the community expectations, in other words, not to limit the business responsibilities to providing jobs, return to investors and good and services production. OECD added to the notion of CSR a legal aspect of the business responsibilities.

According to the European Commission, Corporate Social Responsibility is "the responsibility of enterprises for their impacts on society". In order for companies to be

socially responsible, they “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”; this shows us that the business operations and strategy should take into consideration stakeholders’ concerns.

ISO 26000 introduced a new and more elaborated definition of CSR “Social Responsibility is the responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior and is integrated throughout the organization.”

The above listed definitions of CSR show differences on what is required from a business to be socially responsible. Although the debate on the relationship of business and society has been persisting since many decades, univocal and universally accepted definition of CSR is not yet found (Carroll, 1991; Clarkson, 1995; Jones, 1995; McWilliams and Siegel, 2001; Kakabadse, Rouzel and Lee-Davies, 2005; Whitehouse, 2006). The differences in notions of CSR are built on conflicting conventions of responsibilities of business which vary from negligible economic and legal obligations and answerability to stockholders, to widespread responsibilities, to the extensive social structure of which the organization is part of (Jamali, 2008).

2.2- CSR Theories and frameworks

Corporate Social Responsibility is multidisciplinary concept with various definitions, implementations and implications (Gupta and Saxena, 2006). Researchers from different

part of the globe approached the concept of CSR and came with different notions that had a contribution to the literature between society and business. The literature on this subject has evolved remarkably and currently contains numerous theories, terminologies and approaches (Garriga and Mele, 2004). Neo-Classical concept of CSR, that saw the light with Friedman who emphasized on one and unique responsibility of every business which is the usage of its resources to engage in activities that create a growth in the company's profitability keeping in mind that the organization is bound by the norms and rules imposed by the community, Friedman goes beyond that; he considers that managers are representatives of the company's shareholders and are obliged to run the business in consistency with the best interest of the shareholders and spending money on CSR is seen as unethical. The Neo-Classical concept is a conservative insight of the corporation role which considers that an organization is an economic entity intended to generate profit authorized by the laws of business (Klonoski, 1991, Branco and Rodrigues, 2007). Consequently, the concerns of the community should be taken care of at the governments level (Levitt, 1958). However, the corporate social responsibility theory has some boundaries especially that the narrowed approach does not take into consideration major stakeholders such as suppliers, employees, society and customers from the business responsibility horizon. Adam Smith who introduced the theory of shareholder-oriented responsibility stressed on the point that although the main objective of a business is the maximization of shareholder value, the interest of the rest of the stakeholders should be negatively affected. Therefore, the decision-making process should have the best interest of all stakeholders at heart, since it is part of the shareholder value maximization

(Mitchell et al., 1997; Odgen and Watson, 1999). In 1982, came Donaldson who insisted on the fact that shareholders interest is not limited to business itself.

2.3- Stakeholder Theory of Corporate Social Responsibility

Stakeholders are all groups or individuals that are affected by the action of the organization and have interest in it. The primary stakeholders' category includes employees, customer and suppliers and the secondary stakeholders includes competitors, government, trade unions, regulatory agencies, political activists and NGOs (saylor.org). Both primary and secondary stakeholders are seen to have a substantial influence on any organization (Murray & Vogel, 1997). Edward Freeman (1984) had a significant contribution to the stakeholder approach, he insisted on the fact that managers should seek a balance of all stakeholder's interests. The shareholder theory "makes it explicit that the firm has material and/or moral reasons to consider its relationship with more than just investors" (Blowfield and Murray 2011, p. 206). This approach explains the correlation between the firms' profitability and stakeholders' interests (Wood, 1991; Donaldson and Preston, 1995; Hillman and Keim, 2001; Tyagi, 2012). According to the stakeholder theory the business decision should be in line with the legal rights and the moral of stakeholders as these falls under the principal ethics of business responsibility. The business that are not in line with the ethical principal will be facing major disadvantages for example "deterioration of relationship, damage to reputation, declining productivity, creativity, and loyalty, ineffective information flow throughout the organization, and absenteeism" (Weiss, 2008 in Tilakasiri, 2012 p. 31 and 32). It is to mention that the shareholder-oriented approach is narrowed and myopic and is only attentive to the business responsibilities towards the shareholders only, whereas the

stakeholder approach covers a wider angle and is involved in business environment and promotion of shared interest and business strategies (Fontaine, Haarman and Schmid, 2006). Therefore, according to Clarkson (1995) organizations that do not take into consideration, within their strategy, their primary stakeholders concerns face a survival risk on the long term. Accordingly, companies must work to reach the economic pre-set objectives and at the same time satisfy efficiently the authentic prerogatives of all stakeholders (Kakabadse, Rozuel, and Lee-Davies, 2005). From their side, Donaldson and Preston (1995), consider that stakeholders theories can be divided into three groups: instrumental, descriptive and normative; instrumental theories create a foundation for the assessment of the link between the corporate performance objective of profitability and the application of stakeholder management if any. Descriptive theories explain and describe precise corporate behavior and characteristics. Finally, normative theories focus on the responsibilities of organizations towards their stakeholders. The instrumental and normative dimensions were subject to extensive researches (Kakabadse, Rozuel, and Lee-Davies, 2005), the first approach consider organization a tool for the creation of wealth and social performance is the appropriate instrument to attain this goal (Garriga and Mele, 2004), the instrumental approach emphasizes on the fact that the stakeholder interests satisfaction has a major contribution in the maximization of shareholder value (Odgen and Watson, 1999). The normative approach is, on the other hand, the base of the stakeholder theory, it emphasizes on the ethical prerequisites that reinforce the relationship between society and the business itself (Brickson, 2007). The intrinsic value to all stakeholders and equal priorities of interests to all parties constitute the fundamental base of this theory (Saint & Tripathi, 2006).

2.4- CSR Instruments

Scholars did not agree yet on the different Corporate Social Responsibility instruments and their categorization. Even though some business laws have undoubtedly some impact, the global standing as an instrument for the overall business guidelines remain uncertain (Barkemeyer, 2009; Rasche, 2010; Vogel, 2008).

Researchers have yet to agree on an umbrella term for the different CSR instruments and their classification. Although some voluntary business codes have a clearly discernible impact, their overall importance as a mechanism for global business regulation remains unclear (Barkemeyer, 2009; Rasche, 2010; Vogel, 2008).

Nevertheless, CSR instruments have mainly four goals:

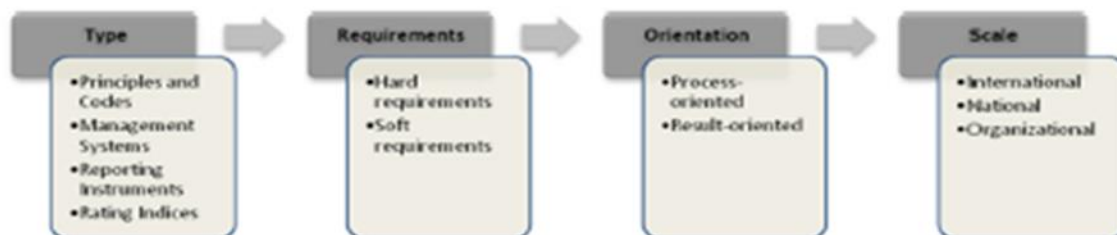
- Encourage and inspire managerial and cultural change through viable development (Cetindamar and Husoy, 2007);
- Support managerial and supervisory accountability (Rasche, 2009a);
- Define processes and regulations or organizational performance concerning environmental and social global issues (Rasche, 2009a);
- Put in place efficient systems based on standards for auditing reporting, verification and monitoring (Scherer and Palazzo, 2009).

Although these instruments have been in use for decades, their contribution to a sustainable development is still negotiable. They don't seem enough to allow a full integration of sustainability in the strategy of an organization, since they do not take into consideration the singularity and context. In a stress scenario, in which we consider that the we are in an unfavorable economic situation, these instruments encourage employees

to go by the book and this attitude has a marginal impact on real life practices (Rasche, 2010).

This below figure represents the various dimensions of classification used for CSR instruments (Boiral and Gendron, 2011; Gilbert and Rasche, 2008; Mueckenberger and Jastram, 2010; Rasche, 2009a; Rasche and Esser, 2006).

Figure 1: Different types of CSR and the scale of each one

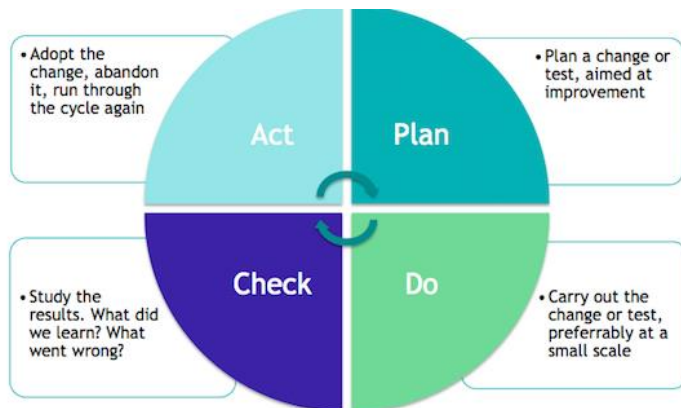


The type of CSR instruments is the key dimension that differentiates them. So far, we were able to identify three types:

- Certification schemes and Management systems: these mechanisms are based, mainly, on constant improvement as per the Plan- Do- Check- Act cycle, seen in the below figure.

The alteration to certificates or stamps can be seen as a guarantee (Montero et al., 2009).

Figure 2: Plan- Do Check-Act cycle



- Codes of conduct: CSR instrument that are based on extensive common ethics and principles of practices valid to all types of organizations in all sectors. These codes of conducts are seen as a base or a starting point to implement CSR practices (Rasche and Esser, 2006).

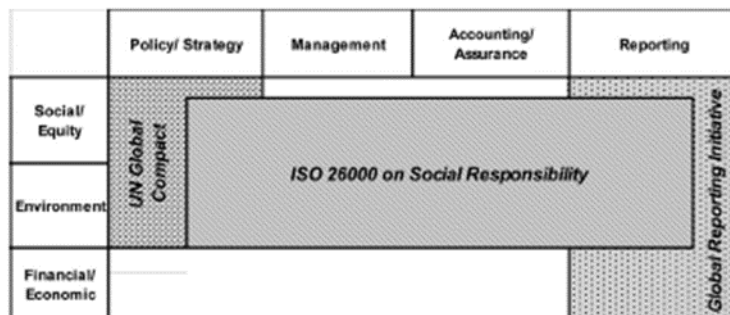
- CSR Sustainability reports: these reports give accountability and visibility, they also replicate an organization's real commitment to a sustainable development (Gray, 2010; Guidry and Patten, 2010).

Each organization forms its unique portfolio of CSR instruments based on their preferences and the probable generated benefits for the company.

Some companies adopt integrated frameworks rather than independent tools. There are three frameworks that are commonly used worldwide: United Nations Global Compact (UNGP) that is categorized as a code of conduct tool, the Global Reporting Initiative (GRI) considered as a CSR/sustainability reports scheme, and ISO 26000 which is the baseline for management systems tools.

In the below figure we can see the intercorrelation between ISO26,000, the UNGC and the GRI. Although each one of these three represents a different framework, they overlap in covering all areas of sustainability (social, economic and environmental).

Figure 3: Connection between the three frameworks



Source: Adapted from WBCSD (2004); Rasche (2009b)

2.4.1-ISO 26000

ISO is considered as one of the most important international standards for organizations, and the introduction of ISO 26000 standards is the first try to put in place an international standard with numerous stakeholders (Balzarova and Castka, 2012).

ISO 26000 aims to offer guidance and recommendations on how to manage social responsibility in different areas such as environment, labor practices, human rights, organizational governance, fair operating practices, community development and involvement, and end user issues. ISO 26000 main achievement was an agreement on a CSR definition that was elaborated by 450 experts in the field: “an organization's responsibility for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that: contributes to Sustainable Development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and implemented in its relations”.

Researchers who take the defense of ISO 26000 consider it to be a foundation of awareness and knowledge (Castka and Balzarova, 2008a). However, some scholars claim that it only regulates definitions and processes, instead of concentrating on results related to CSR (Schwartz & Tilling, 2009). However, the ISO 26000 is criticized mainly in one aspect related to its application since it is applicable to a wide range of enterprises, which raises some questions on the real value of its adoption (Schwartz and Tilling, 2009). Nonetheless, this certification has been considered as “milestone in the history of global cooperation” (Ward, 2011).

2.4.2-GRI Standards

GRI standards were established in 1999 due to a growing pressure for accountability in companies and to a lack of sustainability reporting standard (Kolk & Lenfant, 2010). In the past years, these standards became institutionalized as the international framework for corporate social and environmental reporting (Etzion and Ferraro, 2010; Nikolaeva and Bicho, 2010).

At first, the main goal of GRI standards was to promote and develop recommendations for sustainable reporting. After achieving this goal, GRI aspired to make sustainability reporting a normal practice in all companies (GRI, 2013a). GRI multi-stakeholder procedure is one of its major characteristics and became part of its identity (Nikolaeva and Bicho, 2010).

2.4.3-United Nations Global Compact (UNGC)

The United Nations created the United Nations Global Compact (UNGC) when the public showed serious concerns regarding the harmful increasing effects of globalization (Mueckenberger and Jastram, 2010). Till this date, UNGC is seen as one of the most

prominent, consistent, well-defined and widespread tools in the CSR field (Cetindamar and Husoy, 2007; Rasche, 2009a).

UNGC main goal is to put in place a platform for all industries and organizations to develop in accordance with ten main principals in different areas of labor, human rights, anti-corruption and environment (Kell, 2005; Williams, 2004). It is a strategic policy tool that offers a wide range of standards and opens the door to a new culture that spreads respect in all types of businesses through the observation of social responsibility (Mueckenberger & Jastram, 2010; Rasche, 2009a). It is important to mention that UNGC has been extensively criticized as a CSR tool with very permissive prerequisites (Gilbert & Rasche, 2008; Rasche, 2009a; Sethi and Schepers, 2013) and poor conformism instruments (Gjolberg, 2011). In order to put address and put an end of criticisms and the strengthen the implementation of its ten principles, UNGC implemented the obligatory COP Communication on Progress reports and put in place the Global Compact local network, a platform dedicated for leadership sustainability.

2.5-CSR practices and disclosures in banks

According to World Business Council for Sustainable Development, CSR “is the continuing commitment by business to behave ethically and to contribute to economic development, while improving the quality of life of workforce and their families as well as for the society at large” (Holme & Watts, 2000, p. 8). CSR became a crucial part of the activities in the corporate world. It legitimized and increased the financial performance of any sector (Scholtens, 2006). The need for CSR emerged after the financial crisis in 2008 where we saw a need to have transparency, accountability and trust (Chedrawi & Osta, 2017). As a matter of fact, the necessity of responsible and ethical behavior led

investment and financial procedures to surpass the protection of the interests of owners and depositors (Chiu, 2013). Freeman considers that any organization should respond to the aspirations of its stakeholders instead of the aspiration of the shareholders only (1984). The Stakeholders Theory stresses on the need for organizational accountability rather than the financial or economic achievements only (Guthrie, Petty, & Ricceri, 2006). Lindblom (1994) goes beyond this and explains that the engagement of some organizations in CSR aims to release and show the accountability towards its stakeholders and consequently legitimize and legalize their actions. This legitimacy theory creates a social agreement between the society and the organization (Hinson, Boateng, and Madichie, 2010).

Yet again financial intermediaries, banks occupy a central position in our society, this is mainly due to their role in managing financial risk, valuing and pricing assets and finally for being at the center of the system of payment. These basic functions of banks have a tremendous effect on the functionality of society, which gives the bank more responsibilities towards the communities they cater (Lachowicz, 2000; Greenbaum & Thakor, 2007). In fact, Decker emphasizes on the fact that CSR in commercial banking is at the heart of social problems, and also insist that CSR practices can be changed within the sector. Therefore, banks work in financing different activities that can be harmful to the environment (Thompson and Cowton, 2004). Some scholars suggested that when financing an activity, the banks should take into consideration environmental, social, and economic performance of the financed party, in addition during the repayment period an enhancement in environmental and social performance should be noticeable (Scholtens, 2006). In general, some scholars believe that financial institutions should be accountable

for any environmental, economic or social impact whether direct or indirect (De la Cuesta-González, Muñoz-Torres, and Fernandez-Izquierdo, 2006). A strong argument concerning the social contract between the core business of banks and society was spotted. In this context, some scholars refute irresponsible and reckless business practices seen in the irresponsible and excessive lending of financial institutions (Richards, Palmer and Bogdanova, 2008). Mayo (1997) goes beyond that and considers that financial institutions, at the very least, have an extensive responsibility in identifying the societal impact of their actions. In addition, some considered that by the implementation of CSR best practices in financial institutions, the latter will have the stakeholder's best interests at heart and play a crucial role in solving complex societal challenges (Strandberg, 2005).

2.5.1- International banks

When we say CSR, we take into consideration the legal, economic and ethical expectations the society has of corporates (Carroll, 1991). However, some researchers consider that CSR is all about public relations, for Frankenta (2001), CSR is seen as a creation of public relations only and can be a true material only if it takes into consideration all stakeholders and is strengthened modifications in the organizations' laws. An organization that is socially responsible should implement business practices and policies that exceed the minimum requirements and give back to the society and have a positive impact on the stakeholders' wellbeing (Adewale & Rahmon, 2014).

From a bank manager's view, CSR is one of the approaches that can enhance the reputation of a bank and acquire a higher sense of trust from the customers (Shen, Wu, Chen, & Fang, 2016). It is particularly important for the banking industry because banks sell intangible products (services) to individuals who may not be equipped with financial

knowledge. In fact, Tzu-Kuan Chiu (2013) argued that in addition to the role of an intermediary which channels savings into investments, the demand for ethical and responsible conduct has led to financial and investment CSR procedures indicating that it should go beyond the preservation of the legal interests of depositors and owners. In addition, some previous studies made by Simpson and Kohers (2002), concluded that there's a positive correlation between financial performance and corporate social performance in the banking industry. Although being socially responsible comes at a cost, however, the cost is compensated by improvements in productivity or other connected financial indicators. On the other hand, the used resources for CSR are not expensive and therefore, will never make a bank unrewarding (Heath and Ni, 2008).

The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in its annual 2014 report, considers that Responsible Banking is defined in the 3Cs: Corporate Sustainability, Corporate Social Responsibility and Corporate Governance. The report also identifies two domains for financial institutions and banks where CSR can have a positive impact: Green Business financing and Small and Medium Enterprises (SMEs) financing. It is worth mentioning that banks are paying increased attention to CSR and are offering financial products taking into consideration sustainability but it's an area where improvement is always possible.

A study conducted in 2013 (Akinpelu, et al., 2013), shows that CSR practices, in banks, are part of their activity reports and are major elements in creating a favorable positive image. It also mentions that banks usually engage more in societal activities than in environmental ones. Also, the findings illustrate that the implications of banks in CSR have a positive image in an economic context (Rendtorff and Mattsson, 2012). Another

study showed that the 2007 financial crisis shed the light on the necessity to incorporate CSR notions in the banking sector (Lenka and Jiri, 2014), the same study considers that:

- Banks management see “banking ethics and social responsibility” as an instrument that helps them communicate with the community,
- The concept of CSR is addressed in complex ways and this is seen in the vast variety of activities developed by banking institutions,
- Banks contribution in societal activities is measurable and the results are quantifiable for the community.

CSR practices, in the banking sector, can be categorized into four groups: education, environment, culture and social (Crisan-Mitra et al., 2020). The banking industry witnessed the below mentioned progress after implementing those practices:

- Enhanced products based on the society needs,
- Development of employee’s motivation, leading to more innovation and creativity,
- Improved connection with all stakeholders,
- A better promotion of the bank,
- Enhancement of customer trustworthiness and loyalty,
- Improvement of banking reputation and social integration.

That being said, some researchers found that CSR practices surely improved banks image in society, but this did not always translate into real financial figures.

2.5.2- Local banks

Throughout history, the Lebanese economy has faced several problems due to the political instability. However, with time, and despite the high level of uncertainty that the

country was facing, banks managed to gain the trust of Lebanese expatriates which transformed the sector to one of the wealthiest sectors in Lebanon (Hubbard, 2019). The banks secrecy law was one of the reasons of the liquidity increase of the banks forbidding any financial institution in Lebanon of disclosing any information related to a client's account without showing a judicial order. The high liquidity level required, and the Lebanese Central Bank rule and policies gave to the local banks an important and crucial role in the domestic economy. the liquidity of the banks categorized them into four groups: Alfa banks with total deposits above two billion dollars, Beta banks with total deposits between USD 500,000 and 2 billion and Gamma with total deposits between USD 200,000 and USD500,000 and finally Delta banks with total deposits below USD200,000.

Yet again when we say CSR, we cannot but mention corporate governance. The latter requires a high level of transparency and ethical practices of the banks (Casson, 2013) which explains the tight correlation between ethics and corporate governance. All organizations (profitable and non-profitable) ethics should be embedded in the company's culture (Rezaee, 2008). So does the Lebanese banking sector that is involved in corporate governance and should abide by the circulars related to Corporate Governance issued by the Central Bank in 2000 and were constantly updated. Since then, Corporate Governance, was seen as a facilitator to the implementation of CSR rules and regulations at a later stage by creating a positive climate to attain CSR.

CSR is a demonstration of ethical, social legal and economic engagement of banks (companies in general) towards society (Carroll, 1979), usually it is the fruit of a lack of societal interventions of the government (Levine, 2004). The Lebanese baking sector is a

market where, local banks are thriving towards distinction while in the pursuit for competitive advantages (Chedrawi & Osta, 2017). Renowned financial institutions such as Audi Bank, BLOM Bank and BLF for example started their journey in CSR initiatives and were pioneers in the MENA region, where they had innovative CSR actions and practices while using a specific strategy for this issue. The need for CSR started when the government failed to respond to several societal demands due to the unbalanced environment. And as the most developed sector in Lebanon, many actions were included under the scope of CSR even if these activities were somehow far from the banks' operations. For example, Byblos Bank funded the bridge of Byblos that was demolished during brutal aggressions in June 2006. BLOM Bank invested yearly in Beirut marathon to a point it was called BLOM Marathon. Bank Audi in partnership with "Kunhadi", a Lebanese NGO, established a program for responsible driving and safer roads. BLC Bank partnered with the NGO "Juzur Loubnan" and funded the plantation of trees in different regions of the country.

The banks moved later to a trendier practice: publications and CSR reviews, it started with Fransabank in 2012, and most Alfa banks followed. In 2014, the annual CSR activities of ten Alfa banks were published.

2.6- Local Banks' exposure

Lebanese banks are facing insistently hard operating circumstances categorized by local and geopolitical tensions impacting the national economic activity in addition to a negative effect on the capacity of banks to generate income. On top of that, new taxes were to be paid by the banks affecting directly their income (Choucair, 2020).

Yet again, although the private sector lending has declined, banks consider that they can still strengthen their financial role when conditions progress.

In order to face the current situation, the BDL issued a new circular obliging banks to increase their equity by 20% to improve their capitalization (BDL Circular, November 2019).

Lebanese banks have a huge exposure to the government and are currently facing massive losses due to the economy contracts, therefore, unemployment rates are increasing, and businesses are facing a standstill. Alexios Philippides vice president of Moody's said that "We expect banks to face large losses in light of their heavy exposure to the Lebanese sovereign, which amounted to the equivalent of \$143 billion or 68 per cent of total assets as of February, including exposure to Banque du Liban, the central bank". The banking system supported the Lebanese economy for years, attracting billions in deposits, however, rating agencies shifted their outlook on the Lebanese banking system to negative. This shift came after the government's repayment default of \$1.2Billion of Eurobonds in March 2020 in addition to the refusal to settle interest on dollar-denominated Eurobonds due to the economic crises the country is facing (Daily Star, April 2020).

Lebanon bond maturities are totaled to \$31 Billion, most of the debt is detained by Lebanese financial institutions, 43% is owed to the central bank and 33.4% is owed to the banks. Furthermore, the government wants to restructure the debt, and according to the minister of finance, this will translate into losses for creditors and therefore banks. Banks will most likely face liquidity and funding pressures especially that deposits of the private sector decreased by \$22.9 billion since 2019. Banks are no longer lending to private

sector and it will contract further, noting that it declined by 16% in 2019. On the other hand, bad debt will surely rise due to the economic situation that led to a rise in inflation, an increase in unemployment, salary cuts and economic contraction. According to Moody's, in 2019, the Lebanese economy contracted by 6.5% (Choucair, 2020). added to this, Moody's considers a "low probability of government support for failing banks". In order for the Lebanese government to access Cedre \$11 Billion funds, it has to implement immediately the requested fiscal and economic reforms (Choucair, 2020). Moody's goes beyond this, and insists on the fact that the access to exterior financial support is mandatory otherwise the economy will face an unsystematic de-pegging of the local currency to the dollar and this risk could release a sharp depreciation of the currency putting more pressure on the banks. According to Moody's, the foreign assets of the central bank declined to \$30.2 Billion (as of mid-March 2020), not taking into consideration the gold reserve worth \$14.8 Billion noting that at the end of 2018 the foreign assets were \$34.8 Billion (Choucair, 2020).

2.7- Link between CSR and banks' exposure

As seen in the previous sections, the main aim of CSR is to preserve society and safeguard the wellbeing of all stakeholders. The three basics of CSR can be detailed as follows:

- Corporate Governance: the shareholders main objective was generating profit, whereas, the credit policies adopted by the banks did not respect their objective, in other words CSR goal was not attained
- Corporate Sustainability: the banks' risk measurements related to sovereign debt was not based on real figures and proper financial analysis and with the default of their

main client which is the Lebanese government, the banks immediately faced a liquidity problem for the first time in decades and due to that banks were not able to meet their clients requests when it came to liquidating their deposits. That being said, the difficulties faced by the Lebanese banks, backfired on the society causing new societal problems specially during the hard economic situation. To note that the banks investments in sovereign debt was not ethical and the banks corporate sustainability was not taken into consideration, in addition banks did not diversify their risk and were only looking at an easy and fast way to increase their profits.

- Environmental: Lebanese banks shifted their strategies and adopted green policies that encouraged recycling, decrease in usage of plastic and papers but now and due to their current situation, the local banks financial capacity decreased, and by the end of 2020 banks may be obliged to limit their budget in terms of environmental support.

In conclusion, local banks started building their CSR strategies few years ago and considered this as a way to give back to society and create a positive impact on the stakeholders. However, in one mistake they lost what they have built during this period, and even worse local banks lost the stakeholders trust.

2.8- Conclusion

Corporate Social Responsibility is a concept that has always existed and is in constant evolution. Researches and scholars have been studying this subject in order to share findings and shed the light on the importance of CSR and the strategies evolving around it.

Throughout history, the importance of CSR led to the development and implementation of guidelines and international standards helping the society define the concept and know the role and the duties of all stakeholders.

In the above we stated the important milestones related to CSR, among others but not limited to the different theories and the international standards of CSR such as ISO certification, GRI standards and the role of the global community specially the United Nation Global Compact and its impact on the studies subject.

Financial institutions are one of the biggest organizations worldwide and in their quest to gain clients and potential clients trust they were the pioneers in the implementation of CSR culture and standards in the corporate field. International Banks faced a dilemma after the financial crisis in 2008, during this period stakeholders debated the negative impact of banks on the society and part of responsibility in this crisis that led to disastrous results and a crash in the whole world. In the current times, Lebanese banks are being reproached of being unethical with their clients and are being blamed for the current financial crisis and translated into a global economic crisis.

CHAPTER 3 - METHODOLOGY

3.1- Introduction

As it is indicated in the title, this chapter includes the research methodology of the dissertation. In more details, it outlines the research strategy, the research methods, the research approach, and the methods of data collection, the selection of the sample, the research process, the type of data analysis and the ethical considerations of the project.

3.2- Research methods

In order to satisfy the objectives of the dissertation, a qualitative research was held. The main characteristic of qualitative research is that it is mostly appropriate for small samples, while the outcomes are not necessarily measurable and quantifiable. Its basic advantage, which also constitutes its basic difference with quantitative research, is that it offers a depth with a complete description and analysis of a research subject, without limiting the scope of the research and the nature of participant's responses (Collis& Hussey, 2003).

However, the effectiveness of qualitative research is heavily based on the skills and abilities of researchers, while the outcomes may not be perceived as generalizable, because the sample is limited, and the interpretation is mostly based on the researcher's personal judgments. Because it is more appropriate for small samples, it is also risky for the results of qualitative research to be perceived as reflecting the opinions of a wider population (Bell, 2005).

We opted for a qualitative method in our research because a quantitative method based on questionnaire for Lebanese banks customers is impossible in the current situation in Lebanon as there is a risk of bias since most customers are not satisfied with their banks.

A quantitative method based on banks client will be affected by the negative judgment of clients especially with numerous fake news about the Lebanese banks on the social media and the banks wrong doings towards their clients and their inability to provide them with their money.

The qualitative method will generate more results due to our subject specificity in the avoidance of potential generated bias.

3.3- Research approach

Our research approach is based on data published by the banks through their CSR reports and the annual reports of selected banks; in addition, we compared the reporting mentioned in 2018 with the real practices as of today. Our methodology is a comparison between the disclosed CSR practices of banks and their actual sovereign exposure ratio that reflects the true respect of their client's wealth. In our methodology we will use the ISO 26000 framework to categorize the reported practices of banks under study, and we will calculate the sovereign debt ratio that will indicate the good investment of deposits in other word if banks respect their CSR reporting in the investment of depositors wealth, to note that we will use the standardized form of the Basel framework.

The main framework of the Banking Committee on Banking Supervision (BCBS) on risk weights for sovereign exposures is still that of Basel II (BIS, 2006). According to this framework, banks may choose two ways of assessing the risk of an exposure depending on the methodology used:

(i) the standardized form or (ii) the internal-rating based (IRB) approach.

The Basel II framework allows banks to apply a weighting range between 0 per cent and 150 per cent.

Therefore, we will test the sovereign debt exposure of banks using the standardized approach. By calculating the sovereign risk weight = sovereign debt / Tier 1 capital

The sovereign risk weight should be below 150% according to Basel recommendation, and the lower it is the better, since it shows the banks' awareness on the risk of sovereign exposure.

Our approach is based on specific observations which are used to produce general theories and conclusions drawn from the research.

The reason for opting for the inductive approach was that it takes into account the context where research effort is done. However, the main weakness of the inductive approach is that it produces theories and conclusions based only on data published in 2018 since after that date no CSR reports were published by Lebanese banks, thereby, the generalizability of research results becomes challenging.

3.4- Data collection method and tools

For the purposes of this research, in depth interviews were impossible to use since banks don't accept any interview during the current economic and financial crises in Lebanon especially that several banks are being prosecuted in the current period.

The other option of collecting data was through the annual reports of banks under study in addition the CSR reporting and the website of those banks to collect some data for the study.

The main advantage of this type of data collection is that the retrieved data is audited and reflects the official view of the bank and we don't have any bias related to a person opinion as it is the case during personal interviews for data collection.

3.5- Sample selection

The method of purposive sampling was used to develop the sample of the research under discussion. According to this method, which belongs to the category of non-probability sampling techniques, sample members are selected on the basis of their knowledge, regarding a research subject (Freedman et al., 2007).

In the current study, the sample members who were selected had special relationship with the phenomenon under investigation, sufficient and relevant work experience in the field of CSR as well as active CSR reporting and publication.

Within this context, the participants of this study were alpha and beta banks in the Lebanese banking sector: BLOM - Banque du Liban et d'Outre – Mer, BLF - Banque Libano- Française, Audi Bank, BankMed, Byblos Bank, Fransabank, Credit Libanais, SGBL, IBL, Credit Bank, BBAC, Bank of Beirut and LGB.

3.6- Research process

Analysis of CSR reporting were held during May and June of 2020 with the data sources mentioned above, so the main reason for choosing three big banks in Lebanon was to enrich our research. The data collection was done with high level of limitations because some of the banks did not publish their 2019 annual report, in addition they stopped circulating the CSR strategies and activities because they consider CSR activities as a secondary mission and due to the financial crisis the main target was and still is to resolve the problems with the depositors. The discussions about the CSR standards and the execution of the theories during the actual financial and economic crisis is mentioned in

Chapter 5 which contains our opinion and vision about the application of the CSR Standards.

3.7- Data analysis

Content analysis was used to analyze the data that was gathered from personal research through the banks' publications. we will collect the data of CSR reporting of banks under study and we will calculate the sovereign debt ratio of each bank to test the risk taken into consideration when the bank took the decision to grant loans to governments.

According to Moore & McCabe (2005), this is the type of research whereby data gathered is categorized in themes and sub-themes, so as to be able to be comparable.

A main advantage of content analysis is that it helps in reducing and simplifying the data collected, while at the same time producing results that may be analyzed using qualitative techniques. Moreover, content analysis gives the ability to structure the qualitative data collected in a way that satisfies the accomplishment of research objectives. However, human error is highly involved in content analysis; since there is the risk of misinterpret the data gathered, thereby generating false and unreliable conclusions.

3.8- Conclusion

In our research we will use a specific methodology that starts with the collection of data for 13 banks. The data comes from the banks' yearly publication in CSR and their annual financial reports, in addition to data available on their website and different press releases that did not directly fall under CSR reporting.

The testing of the difference between CSR reporting and execution will be done by the calculating the Sovereign Debt Ratio of each bank and comparing it to Basel standard approach and ISO 26000 standards.

CHAPTER 4 - FINDINGS

4.1- Introduction

In today's corporate world, and mainly banking sector and financial institutions, Corporate Social Responsibility has gained a significant importance. Financial institutions and mainly banks started endorsing socially responsible and environment friendly investment and lending practices. Lebanese banks undertook corporate social responsibility initiatives for durable development. In addition, the Lebanese Central Bank encouraged commercial banks to launch non-financial reporting, related to their activities in the areas of economic accounting, social, and environment but did not make reporting mandatory.

Before the economic and financial crises that started in 2019 and the Covid-19 outbreak in 2020, financial institutions and banks in Lebanon balanced between their financial activities and their CSR interventions, but nowadays, and due to the financial and economic crisis the banks only focus on their current situation and forgot about CSR practices. Financial institutions did not update their recent activities in the field of corporate social responsibility that's why we will base our study on 2018 reports.

In the below section, we will discuss CSR practices in 13 local banks, and we will compare the reported practices with their sovereign exposure rate.

4.2- CSR and Lebanese banks

4.2.1- Audi bank

The need to progress the lives of societies around us is a serious obligation in today's ever-changing world, this reflects more precisely on our region, where the influences of

extreme political and social circumstances are substantial to our growth. In times of ambiguity, a clear well-defined resolution is a must. In 2018, Bank Audi complied with ISO 26000 Social Responsibility standards and continued reporting according to internationally recognized Global Reporting Initiative (GRI) Standards. Bank Audi was an innovator in this field, and it became part of the Gold Community, which allowed the bank to set a benchmark in reporting and knowledge. The bank was the first Lebanese institution to join the GRI Organizational Stakeholders Network. Furthermore, it maintained its pledge to the principles of the United Nations Global Compact (UNGC), and participated in the Lebanon Steering Committee. Bank Audi became the goal-keeper for Sustainable Development Goal number 8 “Decent Work and Economic Growth”. The bank also maintained a commitment to 5 Sustainable Development Goals. The goals are in line with the five CSR pillars of the bank which supports the application of social and environmental management systems. The principal CSR Strategy of Bank Audi revolves around five core pillars: Economic Development, Corporate Governance, Human Development, Environmental Protection, and Community Development. The information that will be exposed below was obtained from 2018 CSR reports, bank website and the bank’s newsletters.

Environmental and Social Management System (ESMS)

In order to ensure that responsible financing became an essential part of the decision-making procedure, Bank Audi maintained an Environmental and Social Management System (ESMS) to evaluate the bank’s commercial and corporate borrowing customers against their environmental and social (E&S) risks.

Continuous Institutionalization of CSR: Policy, Code of Ethics and International Standards

At Audi, governance practices are well connected to CSR. In fact, the CSR Committee is now part of the formal committees of the bank. Audi Bank's CSR policy was approved by the Executive Committee of the bank in 2014, it is seen as a guideline for the numerous aspects of the bank's CSR contribution. Audi Bank also sustained its adherence to ISO 26000 and to the ethics of the UN Global Compact as well. In addition, the bank is inspired by GRI standards for sustainability reporting, since it provides clarity in relation to the governance directions and the significant modifications that needs to be introduced. Audi Bank also engaged in the GRI's Organizational Stakeholders (OS).

Economic Performance

Audi Bank stimulates job creation and entrepreneurship through various tailored initiatives among others, the "Grow My Business" initiative, launched in partnership with the Beirut Traders Association and the MIT Enterprise Forum for the Pan Arab region. - Bader Young Entrepreneurs Program, a competition that helped potential Entrepreneurs across Lebanon.

Accessibility and Convenience

In order to simplify the day-to-day life of people, Bank Audi took the first steps towards executing a first of its kind service, a new e-Payment and e-Government system in Lebanon. 83% of the branches and 84% of the ATM machines are easily accessible to the disabled people. In this framework, 14% of ATMs are currently located in rural areas.

Microfinance

The bank upheld its commitment to support the disadvantaged and develop needy regions in Lebanon by granting a source of financial services for small business and entrepreneurs that do not have access to banking and associated services.

Indirect Economic Impacts

The bank continued its indirect economic impacts through its unique products such as the “Let the Lira Have its Say” campaign, linked with the “Loubnani” credit card launched in 2010. The card is targeted to middle-income social group and planned to reinforce the value of the Lebanese Lira (Lebanon’s local currency).

Responsible Lending

One of the main roles the bank plays is putting depositors’ money to good use by lending it out to individuals and organizations who need it to buy homes, run businesses or send their children to school. Therefore, lending capital is a serious activity directing towards prosperity and economic growth.

Financial and Economic Awareness

The financial literacy programs extend across Audi Bank CSR pillars. Within the Economic Development pillar, the bank makes sure to produce user-friendly and informative brochures on all products and services, and makes them available in the branches and on the website. On a similar note, the bank promoted “Clear All the Way” campaign, a transparency initiative that was launched in 2012.

Community Health

Audi Bank also supports various health organizations through humanitarian donations to community health.

Children Development

Initiated in 2012, the Kids Rewards Program, aimed to enlightening children on the importance of contributions from an early age, and lets them account for their own donations through their parents' cards. The Rewards Program lets Bank Audi cardholders donate their points to assist one of eighteen local humanitarian associations, under the umbrella of the "Donate your Points for a Good Cause" initiative.

Diversity and Equal Opportunity

At Bank Audi, diversity is a requirement for preserving a healthy and pleasant working environment however, no guidelines are imposed, and no hiring ratios are adopted.

Human Resource Planning

The bank endlessly engages in Human Resource Planning (HRP) mainly due to the strategical plan of the growth and various needs. Succession planning is a top priority at Bank Audi. Additionally, they offer internships to over 510 university students each year. Outstanding interns are highlighted in the records for potential future recruitment at the bank.

Environmental Awareness and Stewardship

The main objectives are to supplementary instill environmental awareness by motivating employees to act as good environmental stewards at work and at home through various workshops, activities and initiatives.

Environmental Loans and Sponsorships

Externally, Audi Bank environmental sustainability promotion continued through sponsorships environmental loans and benefit or for-cause sponsorships.

Measuring the Banks Environmental Impact Solid Waste

The need to promote environmental safety within the bank while engaging and sensitizing the stakeholders in the process has always been a significant goal for Bank Audi. Therefore, the bank has sustained a program named “Grow Green” with the main aim to collect recyclables at the bank’s three different hubs. Within the same approach, the committee requested a Paperless Banking Strategy that aimed at changing the operations into paperless operations by applying the below: Endorsing "Paperless" Projects, document Management System (DMS), Reengineering of Operational Process and Online Banking Solutions.

CSR bank exposure

Concerning bank Audi, we have 4 main fields where the CSR was not applied as mentioned in the banks CSR 2018 reporting.

ATM: it’s true that the bank has a large network of ATM; however, the bank limited the cash withdrawn via ATM to its minimum due to the liquidity crisis since October 2019 so in other words the bank did not stick to one of the major points mentioned in its CSR reporting concerning accessibility and convenience.

Microfinance: as mentioned in the CSR reporting, microfinance in retail products has social and economic impacts in Lebanon but the reality shows that microfinance is a very profitable market for the bank but comes with high risk so the bank accepted to work in the field of microfinance only with the risk sharing offered by Kafalat and subsidized loans; in other words the bank used the high risk high gains strategy while benefiting from the organizations risk sharing. All types of financing including microfinance loans were currently stopped and Audi Bank at this phase.

Lira: as the CSR reporting mentions the Lira Project is to subsidize the Lebanese pounds and to increase the demand on Lebanese pounds, but after the USD rate fluctuation in Lebanon, that started in October 2019, Audi Bank refused to cash USD commercial loans payments in LBP which increased the demand on USD in the Lebanese market. As conclusion Audi bank has put its profitability before social and national wellbeing. However, due to the current situation, all loans were suspended including but not limited to microfinance and environmental loans noting that the internships were stopped due to the Covid-19 pandemic but will be back on track once the pandemic is over.

Responsible lending: the main reason for the current liquidity problem is the sovereign debt accorded to the government. Therefore, we will test the sovereign debt exposure of Audi bank using the standardized approach, by calculating the sovereign risk weight = Sovereign Debt /Tier 1 capital.

In 2018 the sovereign debt of bank Audi was USD 10.7 Billion on and the Tier 1 capital was USD 2.6 Billion so **the sovereign debt weight risk was 407%.**

As per the Basel Committee standardized approach, the bank situation is critical since as Basel the maximum accepted level is 150% so Bank Audi is 2,7 times from the maximum accepted level. This means that the bank did not execute good responsible lending strategy as mentioned in its CSR reporting.

4.2.2- BLOM Bank

At the end of 2007 BLOM Bank Board of Directors approved the Corporate Governance Code and in December 2018 it was updated. The bank published on its website the Corporate Governance Code itself, its appendices in addition to the related policies that were updated and approved by the Board of Directors. In 2018, BLOM Bank continued

its promotion of good corporate governance practices and it also implemented hard corporate governance standards, it is to mention that BLOM Bank was the first bank in Lebanon to sign the Investors for Governance and Integrity (IGI) Declaration and to commit to implement the Governance and Integrity Rating (GIR) recommendations and guidelines into its practices and policies, and work to advance good corporate governance practices consequently participating in the safety of the financial atmosphere in Lebanon. The 2017 Governance and Integrity Ratings (GIR) report on Online Transparency and Disclosure published by Capital Concept's Shareholder-Rights (Shareholders-Rights by Capital Concept is an independent provider of research and ratings on corporate governance affecting the performance of public and private companies), gave BLOM Bank an "A" grade, the maximum among all listed companies and banks on the Beirut Stock Exchange.

The "Sustainability Policy", approved by the Board of Directors in 2018, sets the supervisory principals and ethics for how BLOM Bank guarantees long-term sustainability of its actions and by doing so intensifies the value it generates to customers, employees, shareholders, the environment and the society. BLOM Bank's success is based on confidence and trust. Sustainable business is a precondition to sustain this trust and to achieve the "Peace of Mind" motto the bank promotes. The bank believes in the basic principles of reporting, accountability and transparency all over the organization.

CSR Reporting

BLOM Bank has developed, over the years, its CSR agenda and scheme around solid foundations. Sustainability policy was redefined, in 2018, to set the controlling values for how the bank guarantees long-term sustainability by keeping in mind the social,

environmental and governance factors in the conduct of its processes. BLOM Bank goal of a 5-year roadmap is mostly based on change through collaboration, innovative thinking, efficiency and capacity building partnerships that bring long term effect in the value chain and implant sustainability into its systems and methods. Corporate Social Responsibility BLOM framework is constructed around four pillars: Economic Development, Education, Environment and better use: Society's welfare.

Education

BLOM Bank considers that education is one of the fundamentals of its CSR strategy; providing educational opportunities can make a change in the lives of lots of people, dragging them out of the shortage and developing children to their full capacity. BLOM Bank also joined the Lebanon SDG Council in 2017 and adopted the Sustainable Development Goal (SDG) 4: Quality Education; by doing that, the bank strengthened its pledge to education

BLOM SHABEB: BLOM Bank created a program called BLOM Shabeb in 2010 - a CSR program that empowers Lebanese youth, with an age between 10 and 25 years - through correct supervision, helpful tips, and precise tools needed to become the society's upcoming leaders.

PROTECT ED PROGRAM: Protect Ed is a Canadian program introduced in 2013 and supported by BLOM Bank since its introduction. It is modified to encounter Lebanon's precise safety and cultural requirements, and offers kids preventive, proactive and pioneering safety schooling on bullying, predators, child abuse, discrimination, racism and social media impact in order to build self-confidence, decrease risk and defend the future of children.

Paper Recycling and Reduction

BLOM Bank delivered in 2018 61.4 tons of paper to an important national paper recycling corporation and the profits were donated to associations that deliver support to differently abled children. Furthermore, 40 tons of shredded papers were given to “Association l’Ecoute” in order to support their main mission of providing earpieces to deprived hearing-impaired individuals. “Association l’Ecoute” collects from BLOM BANK head office buildings metal and plastic for recycling. Furthermore, in its aim to decrease the usage of single use plastic bottles, BLOM BANK gave all staff members refillable water plastic bottles.

Waste Segregation

As part of BLOM BANK’s “Go Green” initiative and with the support of AUB’s neighborhood and tobacco free initiative, the collected cigarette butts were recycled into surfboards and paddles in the same initiative of the American University of Beirut.

Demining

In collaboration with the Lebanon Mine Action Center (LMAC), a unit in the Lebanese Army, the BLOM “Giving Card” assisted in the removal of cluster and mines bombs from the Lebanese territories. Contributions are made whenever BLOM MasterCard Giving cardholders pay the card’s annual fee and every time they use their cards for cash withdrawals or for purchases without bearing any extra cost.

BLOM Bank Beirut Marathon (BBBM)

The bank maintained its strategic partnership with the Beirut Marathon Association throughout 13 years. Not only aiming to promote and encourage wellness and healthy living through running, but to create the prime fundraising and responsiveness platform

for NGOs in Lebanon. BBBM is a uniting platform that brings people together from different confessions and backgrounds to contribute collectively in good spirit and for good resolutions regardless of all challenges. In addition, and concurrently with the BBBM, the bank runs its internal volunteering actions spanning over the Marathon's diverse introductory and ending phases. The bank also supported the 542 programs, a community-based initiative, created by the Beirut Marathon Association targeting to transform first time runners into marathoners. In 5 months, participants train for free to run the 42K marathon.

Serving Everyone Equally

To equally cater to the needs of all BLOM Bank clients, a number of branches now boast wheelchair and visually impaired friendly ATMs. Ramps have also been installed to facilitate wheelchair access into these branches.

After comparing the CSR reporting to the execution of BLOM Bank we can conclude that the reporting of the bank was mainly targeting three CSR pillars: Development, Education and Environment and all three pillars were subject to several implementation actions within the bank. Nevertheless, on the economic level we face the same problem of all the Lebanese banking sector since most banks had a poor judgment and invested fully in the Lebanese Sovereign debt.

Therefore, we will test the sovereign debt exposure of BLOM Bank using the standardized approach, by calculating the sovereign risk weight = Sovereign Debt /Tier 1 capital.

In 2018 the sovereign debt of BLOM bank was USD 26.1 Billion and the Tier 1 capital was USD 3.09 Billion so **the sovereign debt weight risk was 844.8%.**

As per the Basel Committee standardized approach, the bank situation was critical regarding its lending to the Lebanese government to note that BLOM passed the maximum level of Basel by 5.6 times. In addition, the bank did not respect the economic pillar mentioned in the CSR reporting.

4.2.3- Byblos Bank

Corporate Social Responsibility is part of Byblos' culture. Before the CSR term saw the light and before CSR became a trend, Byblos Bank was already engaged and had a positive impact. Real banking delivers quite a few key structure blocks for the improvement of society, including but not limited to more job opportunities, quicker economic development, and greater excesses for reinvestment.

For the banks' customers, this includes offering products and services that meet their explicit requirements while protecting them from pointless risk. For employees, this demonstrates how the bank laid out career paths that supported each individual reach his/her factual potential through professional and personal prosperity and growth.

To make perceptible value and have factual impact, Byblos Bank concentrated on four areas: Education, Culture, the Environment, and Community.

It is to note that Byblos Bank work in CSR field was reported in its CSR report.

Education

Education is an influential power for change in our society. Hence, Byblos Bank attempted to extend the access to education, but also to empower communities and individuals at large through financial literacy initiatives. Byblos Bank CSR work included a Financial Literacy Program that supported valuable activities, offered vital grants, and funded campus services at major universities and schools in Lebanon. Byblos

Bank have long-lasting partnerships with top universities in Lebanon. The bank trusts that modern campus accommodations contribute to the enhancement of academic education and help universities better serve their students.

Culture

Byblos Bank considers that culture is a vigorous sponsor to social cohesion and national stability. The efforts to support culture in Lebanon and focus on contributing to the conservation of the country's rich heritage. The renovation projects of Batroun and Jbeil Souks Façades in addition to Byblos Bank Photography Program are few examples of Byblos Bank CSR initiatives that bring culture into people's life.

Environment

Byblos Bank's environmental CSR activities reproduce a sincere commitment to the protection of the famous Cedars of Lebanon. Byblos Bank/Shouf Reserve Bio-corridor Initiative is particularly remarkable as it implemented an advanced replantation idea to help protecting Lebanon's recognized national symbol.

Community

The growth of Byblos Bank has concurred almost fully with the appearance of modern Lebanon, and during this period, the bank never forgot its roots as a local enterprise in a neighborhood.

The highway bridge of Fidar- Jbeil region is a case in point: it was destroyed by an Israeli air raid during the 2006 war, Byblos Bank stepped in to fund the reconstruction.

The bank also honors this tradition by celebrating the spirit of many Lebanese who have overcome great challenges to pull off even larger accomplishments, notably through the

Reghem Kel Chi segment that is sponsored by the bank on MTV, as well as all of the activities that are conducted in various regions of the country.

By studying the reporting of CSR of Byblos Bank we found that all pillars of reporting are respected excluding the “Humanization of Capital” especially the part related to customers and the mismeasurement risk on the sovereign debt level. Therefore, we will test the sovereign debt exposure of Byblos Bank using the standardized approach, by calculating the sovereign risk weight = sovereign debt /Tier 1 capital.

In 2018 the sovereign debt of Byblos Bank was LBP 10,348 Billion and the Tier 1 capital was LBP 2,607 Billion so **the sovereign debt weight risk was 396%.**

As per the Basel Committee standardized approach, the bank is very far from the lower limit of the approach in other word the bank did not respect the part related to its duties toward its customers. To note that bank Byblos exceeded the allowable maximum rate of Basel by 2,64

4.2.4- Fransabank

Fransabank Group, believes that Corporate Social Responsibility (CSR) is about making a concrete contribution that improves community members’ lives, builds up economic success and satisfies the socioeconomic needs of the community.

It is to note that Fransabank Bank work in CSR field was reported in its CSR report.

Social & Humanitarian

Fransabank considers that social responsibility ingenuities provide a lifeline to those who face misery. In order to strengthen citizens right to life, Fransabank funded medical treatment and raised consciousness of social outcomes in society.

Fransabank has been supporting the mission of Roads for Life, by making Professional Trauma Care courses accessible to all healthcare workers all over Lebanon, believing that every person has an increased chance of life after an accident.

Fransabank initiatives focused on the right to a decent life. The bank supports non-profit organizations and humanitarian causes that bring hope to people in need.

Education & Knowledge

Fransabank demonstrates a strong belief in endorsing education via numerous contributions, investing human capital and money in safeguarding a better future for youth.

Fransabank's chairman, Mr. Adnan Kassar, made major financial contributions to different educational institutions.

Moreover, Fransabank strategically partnered with CSR Lebanon for its Third CSR Lebanon Forum under the theme: "Corporate Social Responsibility in Times of Uncertainty".

Fransabank also supports Injaz, a local non-profit organization, has been working with the private sector to help close the gap students are facing between the workplace and academia. Finally, internship programs are of importance for Fransabank as they consider that they are win-win practices.

Environment & Sustainability

Respect for, and preservation of the environment form one of the key pillars of Fransabank's corporate social responsibility which manifests itself in a range of initiatives that left a tangible contribution to the environment's welfare. This bank

believes that there is an opportunity to affect the climate agenda by the investments made and the granted credits.

According to the International Finance Corporation (IFC), there has never been a better time for banks that finance energy related technologies to make profitable investments in sustainable development.

Accordingly, Fransabank launched new eco-friendly loans that are intended to meet customers and business's needs. This cost-effective access to energy efficient technology and equipment helps companies generate a higher level of productivity on the long-term. In addition, in October 2008, a campaign named "Always Green" was launched and Fransabank donated to this cause.

Fransabank also took part of a new ecological project in Besharri region, North Lebanon and supported the association that aimed to protect Jabal Moussa in order to attain a sustainable development and conserve its cultural heritage and the villages of the region.

After comparing the CSR reporting to the application of CSR standards of Fransabank, we concluded that the bank has similarities between reporting and execution. We will test the respect of the CSR reporting on the Investing Responsibly level and see if Fransabank has the same problem the Lebanese banking sector is facing especially when it comes to the investment in the Lebanese Sovereign Debt.

Therefore, we will test the sovereign debt exposure of Fransabank using the standardized approach, calculating the sovereign risk weight = sovereign debt /Tier 1 capital.

In 2018 the sovereign debt of Fransabank bank was LBP 127.4 Billion and the Tier 1 capital was LBP 139 Billion, so **the sovereign debt weight risk was 91.6%.**

As per the Basel Committee standardized approach, the bank situation was acceptable concerning its lending to the Lebanese government and its exposure to the sovereign debt, we can also say that Fransabank respected its CSR reporting when it comes to good investing. To note they respected the Basel condition within 0.61 from the maximum level

4.2.5- SGBL

SGBL identifies the key role that banks play in society and highlights their importance as catalysts to social and economic development. For this reason, SGBL group is devoted to donating to a united world every day through its several acts of harmony and unity. The bank's commitment for sustainable development blooms through the corporate culture and depends on three main principals: innovation, professionalism, and teamwork. CEO Antoun Sehnaoui describes: "Our continued support to civil society through our social actions of solidarity are as much a part of our culture as our permanent commitment to our customers in the practice of our business." For the bank it is more than just a commitment, is it about contributing to several initiatives that reinforce sustainable development and solidarity.

As part of its Corporate social responsibility (CSR) initiatives, the bank teamed up with The Talkies and sponsored a movie called "Ghadi". The film talks about a young star with Down syndrome. SGBL, through this partnership, conveyed a message of tolerance and hope and showcased it stands by this cause. It aimed at showing that the bank supports people who are different and have confidence in their important role in the society. In this way, the Group aimed at initiating a change of the negative attitudes of

people and urge the society to leave behind all prejudices and recognize the dignity of individuals with Down syndrome.

Also, as a CSR initiative, the bank supported and sponsored a day under the Moto "DISCOVER ASHRAFIEH": a day planned by the "Ashrafieh 2020" committee, an initiative devoted to converting the area into a green space by 2020. During that day, various eco-green and artistic activities, sports events and street performances were divided by areas and open to the public. SGBL participated as a sports partner, it supported actively members in the races that took place on bikes and by foot. After that, the bank presented an award to each of the top ten winners of all categories including checks that were distribute to the winners in front of Sassine branch. The "Discover Ashrafieh" event was a huge success, SGBL was very proud to have been part of this evocative initiative promoting long-term urban restitution in Beirut, making Ashrafieh a healthier living space for individuals.

It is to note that SGBL work in CSR field was reported in its CSR report.

Child of Lebanon

SGBL, in March 2012, united with the Child of Lebanon NGO that strives to prevent child abuse and protect children. SGBL is strong supporter to this cause, and assisted it to increase awareness, show its activities and protect children's rights in Lebanon. Child of Lebanon revamped its website and visual identity due to SGBLs' help. By Enhancing the NGO's online presence and branding, it was able connect better with children.

Donation Day

On the 20th of December, every year and since 2010, SGBL collects donation for charities. This date is marked within SGBL community. It started with the "bowl of rice"

campaign on December 2010 that was launched and targeted employees at the headquarters. The proceeds of this campaign were given to the Children's Cancer Center of Lebanon (CCCL).

CCCL's "CALL FOR LIFE" TELETHON

To mark the 10th anniversary of the Children Cancer Center of Lebanon (CCCL), SGBL supported an event under the name of "Call for Life" telethon. Launched in April 2012, the telethon's goal was to spread awareness among the society and inform people on CCCL's mission and collect essential funds for the children. The bank helped CCCL putting its ATMs network of branches and online banking services at the disposal of the center to collect donations.

Sports

2012 BEIRUT MARATHON: The bank's employees participated in the Beirut Marathon since 2012 to run for a good cause. By covering the registration fees for all participants and their families and giving them SGBL T-shirts and caps, the banks employees ran for a cause. To add motivation and promote sportsmanship, prizes were offered to the first to cross the finishing line for each race. In partnership with InterLebanon, SGBL also organized mini-marathons, a month before the big event. These fun races were meant to prepare contestants for the Beirut Marathon. SGBL have confidence that sports encourage self-improvement and promote solidarity, team spirit, professionalism, and social integration. Sports are a chance for everyone to express themselves impartially and they awaken innovation and the determination to overcome the challenges. All these values are at the heart of SGBL's culture.

SGBL Score Academy

“SGBL Score Football Academy” was the first sports initiative launched by a Lebanese bank within a corporate social responsibility framework. SGBL expressed a real interest in the youth by introducing banking accounts to devoted activations. The initiative highlighted SGBL's commitment towards supporting young capacities with potential. This project replicates the bank's thoughtful dedication to willingly collaborating with young people and introducing fundamental values such as perseverance, team spirit, self-excellence and most notably the acceptance and respect of others.

Ecological awareness

SGBL is dedicated to protecting and defending the environment and to making the Earth greener place. Therefore, SGBL sponsored “Stop Plastic Bags Day!” which was prepared in March 2012 by the Agence Universitaire de la Francophonie (AUF). This initiative promoted awareness about the destructive usage of plastic bags. Students assembled in four supermarkets in Beirut, and distributed around 1,500 ecofriendly recyclable bags for shopping at the counters as a substitute solution to plastic bags.

After mentioning the CSR's main principals of SGBL, we will test the common liquidity problem of the Lebanese Banking sector at SGBL since this pillar is part of the professionalism that was reported in SGBL CSR strategies.

Therefore, we will test the sovereign debt exposure of SGBL bank using the standardized approach, by calculated the sovereign risk weight = Sovereign Debt /Tier 1 capital.

In 2018, the sovereign debt of SGBL bank was LBP 7,084.62 billion and the Tier 1 capital was LBP 1,776.38 billion so **the sovereign debt weight risk was 398%.**

As per the Basel Committee standardized approach, the bank situation was critical concerning its lending to the Lebanese government. In addition, the bank did not respect its CSR reporting concerning the professionalism. to note that the bank without maximum Basel risk level by 2.65 times

4.2.6- Bank of Beirut

CSR strategies encourage Bank of Beirut (BOB) to make a positive effect on the environment and all stakeholders including employees, clients, investors and communities among others. The bank's policies guarantee that it adheres to the highest morals in ethical performance, environmental sustainability, and more. Corporate Social Responsibility has been a long-lasting vow at Bank of Beirut and forms a vital part of its activities. The bank's involvement in the social sector progress comprises numerous interventions, and is applied through the contribution of stakeholders within the bank and the larger community.

The bank's objective is to support pro-actively expressive socio-economic expansion in Lebanon and allow a greater amount of people to contribute in and profit from Lebanon's rising economy. This is grounded on the confidence that development and growth are real only when they translate in broader access to chances and profit a wider segment of society. The goal is to recognize serious areas of expansion that necessitate funds and involvement, and which can benefit to realize Lebanon's potential for prosperity and growth.

The Corporate Social Responsibility Policy of the bank sets out the agenda guiding the bank's CSR activities. One of the bank's purposes is to progress a diverse way of banking through a business model named "Responsible Banking", based on the exploration of

effectiveness accustomed to decent principles, in obedience with the best business practices, the laws and the longstanding value creation for stakeholders. This characterizes a summary of the bank's arrangements.

It is to note that Bank of Beirut work in CSR field was reported in its CSR report.

Corporal and Mental Well-Being

In its belief that sports can be of great value to people who work, as well as to people who lead an inactive life, Bank of Beirut gives an importance to sports events and activities.

Empowering Youth

Bank of Beirut uninterruptedly seeks to offer youth the right education chances and services by developing a full range of training activities to encourage them to successfully blow the job market, in this regard, the bank introduced a financial support program for students at several universities.

Employee Engagement & Development

Through the commitment of each individual, the employee's engagement is an essential component of the corporate responsibility. The staff gets involved via Bank of Beirut's social activities. They are committed in dedicating their free time to respectable causes. The bank facilitates corporate volunteering by supporting social initiatives such as blood donations through "Donner Sang Compter" NGO.

Equal Opportunities

Providing comprehensive and valuable information to all sections of the population is a significant goal for Bank of Beirut. The bank worked hard on guaranteeing equal opportunities and chances to the groups where it operates and empowering disregarded

sections of the society allowing them to make a change and grow to meet the achievement they merit.

Giving Back to Community

Bank of Beirut, through its many programs, supported its community locally and internationally, as believes that any accomplishment, regardless of its size, can make a constructive impact on the happiness and welfare of others. In his quest to give back to community Bank of Beirut bought apples from the local market and created Apple Day offering apples to all customers.

Green Initiatives

With the banks firm belief that “we are here to make a difference, and leave this world a better place”, the Green Initiatives have been growing in numbers and volume, especially when Lebanon needed it the most through the current crises. In this regards, Bank of Beirut green summit was introduced in 2018 under the banks recycling initiatives.

Sustainable Partnerships

Bank of Beirut is dedicated to good causes. it sponsored organizations such as the Red Cross and Younbou3. The bank is committed to making a permanent social impact in the community where it is and function through enthused, responsible initiatives and by building strong partnerships with its surroundings.

CSR reporting of Bank of Beirut mentioned the responsible banking expression. Therefore, we will test this expression on the investment level, and we will also investigate if the bank had the same problem of the Lebanese banking sector due to the bad investment in the Lebanese Sovereign debt.

Therefore, we will test the sovereign debt exposure of Bank of Beirut using standardized approach, by calculated the sovereign risk weight = Sovereign Debt /Tier 1 capital.

In 2018 the sovereign debt of Bank of Beirut was LBP 6,621 Billion and the Tier 1 capital was LBP 844.1 Billion, so **the sovereign debt weight risk was 784%**.

As per the Basel Committee standardized approach, the banks' situation was critical concerning its lending to the Lebanese government. In addition, the bank did not respect its CSR reporting concerning the investment responsibilities. So, they valuated Basel maximum requirement by 5.22 times

4.2.7- Bankmed

The CSR strategy of Bankmed was laid out in five key CSR pillars: environmental sustainability, CSR governance, human development, economic development, and community development. The strategy emphasizes projects with social, cultural, and environmental dimensions as well as sports events and educational programs in society.

It is to note that Bankmed work in CSR field was reported in its CSR report.

Environmental Sustainability

Bankmed revealed a commitment to the environment on the national level. The bank took vigorous steps to detect the influence on the environment and diminishing it. It undertook more than a few ecofriendly initiatives, that demonstrated a sustainable approach to promote healthy environment.

Sustainable Financing

Sustainable financing encourages clients to take part in decreasing climate change impact when growing their businesses. Clients can benefit from loans that are green oriented such as Recycling, Energy projects, Ecotourism, and much more.

Environmental Impact Assessment

Bankmed set in place several actions in order to decrease environmental impact and expand the effectiveness of its business. Reducing fuel consumption by incorporating smart locks and motion detection sensors and recycling are among the initiatives employed by the bank to diminish environmental negative impact.

Spreading Awareness through Education

Investing in education is of immeasurable importance. Bankmed introduced “the Green School and Green Student” competition, where it invited schools to take concrete ecological actions to be applied within schools’ premises. It was seen as a venue manifesting environmental engagement and the bank’s intent to spread responsiveness on ecological matters among youth and children.

CSR Governance

Bankmed operated based on a set of values that describe the space of its community belonging, business commitment, and compliance with moral standards as well as acknowledgement of its human capital. To rule CSR, the Executive Management selected a CSR committee to implement, devise and manage different initiatives and maintain the sustainability.

Gaining Human Capital

Gaining human capital is about giving equal opportunity to all employees and potential newcomers, inspiring and identifying innovations, initiatives and teamwork, nurturing a motivational environment for personal and talent development, and advocating a clear, open and transparent announcement culture.

Giving Back to the Community

Approving and executing environmental initiatives to promote wellness and health programs and support inclusion and diversity.

Human Development

Bankmed showed appreciation and gratitude to its staff and their efforts to preserve the bank's image and encourage its growth. The bank established solid relationships with its employees, providing them with developed work experiences in an environment where they are respected, engaged and recognized.

Employment

Employment opportunities within the Lebanese banking sector have grown to become the most wanted, particularly among fresh graduates. Along the same line, as technology began to shape employment within the financial sector, banks started recruiting young talented people capable of supporting the bank beyond traditional finance. Bankmed was recognized as one of the most popular employers in the country, this corroborates with the number of resumes received by its database.

Economic Development

Bankmed created numerous opportunities to endorse development. It also adopted projects that are designed for economic development. It established a microfinance institution to deliver access to microfinance services.

Microfinance

Guaranteeing access to finance to individuals that are economically active, is within Bankmed's CSR mission. It plans to lift up the financial and social barriers that usually prevent susceptible customer sectors from improving their financial situation. In its aim to encourage economic development of local communities, the bank developed

microfinance solutions to respond to the needs of microbusiness owners and small-scale entrepreneurs.

Community Development

Bankmed provided social support and extended access to education by collaborating with some organizations in order to answer to human needs, consequently, helping the community flourish.

Bankmed's management decided in 2018 to substitute its end-of-year corporate gifts with contributions to seven Lebanese NGOs, giving each one a contribution amounted to USD 30,000.

CSR bank exposure

Concerning BankMed, we have the same reporting problem as bank Audi when it comes to Microfinance.

According to the CSR reporting, microfinance in a retail product have social and economic impacts on the Lebanese market, but reality is different since microfinance is a very profitable market for the bank with high risk, therefore, Bankmed did not operate in this field in this past, it is only when the risk sharing was offered by many local and international institutions that the bank showed interest in this product, in other word the bank generates profits while minimizing the risk and all this to increase its profitability.

In addition, Bankmed reports its economic development, and as the Lebanese sector, Bankmed is also facing the same liquidity problem due to high investment in the Lebanese sovereign debt.

We will test the sovereign debt exposure of BankMed using the standardized approach, by calculating the sovereign risk weight = sovereign debt / tier 1 capital.

In 2018, the sovereign debt of Bankmed was LBP 10.7 Billion and the Tier 1 capital was LBP 2.1 Billion, so **the sovereign debt weight risk was 496%.**

As the Basel Committee standardized approach, the bank was critical especially that the value of sovereign risk was 3.3 times from the maximum Basel requirement level, which is 150%. In conclusion, the bank did not proceed by a good management of risk and good economic environment as mentioned in the CSR reporting.

4.2.8- BLF

Before the rise of Corporate Social Responsibility, Banque Libano-Française (BLF) was always looking to foster the economic growth and contribute to improve the society and invest in societal wellbeing. Stirred by the five values of the bank and guided by a framework of corporate governance, in 2010 BLF founded its CSR unit and implemented a holistic strategy that rotates around four specific main pillars: Marketplace, Workplace, Environment and Community guided and regulated by the framework of Corporate Governance. BLF designated ISO 26000 in 2013, as a context to implement CSR at the center of the bank's business strategy and methodically incorporate it in its business operations, behaviors and exchanges with all stakeholders.

BLF CSR project team involved members from different departments: Communications, Customer Experience and CSR, Human Resources, International, Strategic and Organizational Planning Divisions, on top of that it also included two experts from the Lebanese Standards Institution (LIBNOR). The Team performed a gap analysis and stakeholders' mapping to evaluate the bank's strength and detect opportunities for improvement and development, and this, based on ISO 26000 seven core subjects in the fields of Labor Practices, Organizational Governance, Environment, Human Rights,

Consumer Issues Fair Operating Practices, as well as Community Involvement and Development. BLF's approach to CSR comes from its belief that CSR is an evolving journey, and therefore in 2014 the bank engaged with its stakeholders via a survey that was posted online to identify what they considered as an important issue to be addressed. Later on, and in the view of playing a major role in sustainable banking on the local market, BLF established a new strategy, setting targets by focusing on the key target areas of sustainability:

- Sustainable Support to the Community
- Sustainable Lending
- Sustainable Environmental Strategy
- Sustainable Engagement with Stakeholders
- Sustainable Financial Innovation

The strategy was translated into a long-term action plan. The plan was to be implemented gradually across all business units at the bank by 2019.

In 2014, the new action plan and strategy of BLF's were selected as a case study for a successful integration of CSR and presented during the Joint Coordination Committee (JCC) in Geneva. The action plan and case study were later on communicated on the ISO website. BLF revised its mission statement to show its pledge towards sustainability and shared value. That same year, BLF went further in its venerable commitment to sustainability, therefore, joining the United Nations Global Compact.”

In 2015, BLF was appointed as a founding member of the local network steering committee of the United Nations Global Compact, and since then, BLF sits on the board of the Global Compact Network Lebanon (GCNL) and works in partnership with other

business and non-business leaders to support the advancement and implementation of the ten UNGC principles in Lebanon and to expand the number of signatories. Loyal to its long-term ISO 26000 action plan, BLF also created in 2015 a CSR committee headed by its Chairman General Manager to oversee the implementation of the bank's CSR activities.

Since BLF's establishment in 1930, before Corporate Social Responsibility (CSR) came to light, the bank has always looked outside the bottom line. The bank's presence in the market for over than 85 years, proves that BLF has been doing business in a maintainable method by implementation five main values:

- Integrity
- Responsibility
- Humanism
- Skills
- Commitment

BLF management believes its human capital that makes the definitive difference for a sustainable growth. Consequently, the bank persistently does its utmost to motivate, attract and retain talented personnel. BLF develops a comprehensive performance culture, where achievements are rewarded with career advancements, development opportunities, in addition to high compensation through operative human resources management. In addition to employees' careers development, the institution is well-known for its effective internal communication, good labor practices, and recurrent engagement with all employees.

BLF was always considered as a major player in the development of the Lebanese economy. The bank incessantly empowers corporations and individuals to accomplish their ambitions and desires by offering them tailored products and services to meet their requirements. BLF conducts its business in a transparent and ethical manner, continuously enhancing customer experience in full compliance to international and local regulations, while guaranteeing fair operating practices

BLF commitment to the community is extremely entrenched in the values of the institution. Throughout the years, the bank has given back to the society aiming to create a positive societal impression and enhancing society and individual's wellbeing.

Currently the society is witnessing the impact of climate change on the world's economies and communities. Since BLF supports economic growth, it recognizes the responsibility to do business in a sustainable method in order to decrease environmental negative impact. Therefore, providing green services and products, working closely with stakeholders via sustainable partnerships, adopting eco-friendly practices in the workplace as well as spreading external and internal awareness were implemented.

It is to note that BLF work in CSR field was reported in its CSR report.

CSR bank exposure

BLF was one of the best Lebanese banks in the sector in the reporting of its CSR.

Irresponsible lending is the main reason of the current liquidity problem, is it the sovereign debt accorded to the government. Therefore, we will test the sovereign debt exposure of BLF using standardized approach, by calculating the sovereign risk weight = sovereign debt / Tier 1 capital.

In 2018, the sovereign debt of BLF bank was LBP 169.7 Billion and the Tier 1 capital was LBP 1,143.5 Billion, so **the sovereign debt weight risk was 14.8%**

According to the Basel Committee standardized approach, the bank was in an excellent situation especially if we compare its situation to the Lebanese banking sector. We can conclude by saying that BLF respects its reporting related to one main pillar of CSR. To not that the bank ration is with the Basel requirement by 0.09 times from the maximum limit

4.2.9- Credit Libanais

Micro-financing to Build Capacity: Credit Libanais (CL) partnered with numerous agencies to increase accessibility to financing to small businesses within the local economy.

Subsidized Business Loans: Credit Libanais united with Kafalat to propose subsidized loans for small and medium enterprises. The mentioned loan is a loan that empowers individuals with limited revenue to run and expand their businesses effectively.

Credit Libanais also developed a line of credit with the “Council for Development and Reconstruction” (CDR) acting for the benefit of the Economic and Social Fund Development (ESFD). This credit facility main purpose is to ease poverty.

Customer satisfaction: Credit Libanais is serious about customer satisfaction. In addition to internal computing and monitoring tools, it advertises its complaints' inbox to make it easy for the customers to reach out to the concerned parties. The customer service center also frequently introduces campaigns to develop client communication and awareness. The customer satisfaction falls under fair dealing.

CSR at Work

Employment Chances: Credit Libanais is dedicated to equivalent employment opportunities and ensures that all practices and decisions are based on the valuation of individual achievements.

Honoring the Best Performers: CL encourages talent and want the teams to feel motivated. Credit Libanais distinguishes the performance of its employees every quarter. In addition to this, Credit Libanais has an honoring ceremony where the bank gives tribute to star personnel across the group.

E-Learning Training and Development: Credit Libanais was the first bank to implement E-learning. The determination to develop the team while implementing the best approach to training, created a competition with worldwide companies in the use of E-Learning according to the European E-learning Barometer.

Community

Financing the Future: Credit Libanais is committed to be part of the community prosperity, therefore, the bank supports: economic growth in communities, initiatives that help flourish wealth and well-being, and resources that encourage economic self-sufficiency.

Active in Communities: Credit Libanais believes that it is essential to safeguard the culture and protect the traditions and family values. By working on the revival of rich Lebanese heritage and sponsoring diverse cultural events organized in different regions, the bank contributes to strengthening ties and the social interaction between people in the same village and different regions in the country.

Contributions and sponsorships Each year, Credit Libanais contributes to professional, educational, cultural and social initiatives that positively enrich the community. This way the bank works by its motto to get "Close to You" and to be an integral part of people's lives.

Environment

Credit Libanais is committed to preserving nature through an ecologically conscious tactic to banking. The bank understands the significance of reviewing and updating regularly borrowing strategies to be in line with Social and Responsible Investment (SRI) morals and standards.

Green Products for Green Banking: To be part of the growth of sustainable ecological projects, Credit Libanais developed green products that fund projects with a positive environmental impact.

Environmentally Viable: All the projects financed by Credit Libanais through the European Investment Bank (EIB) must be environmentally feasible. Credit Libanais fully pledges itself to the EIB's environmental objectives.

CSR bank exposure

Concerning Credit Libanais, the first reporting problem is the microfinance, according to the CSR reporting the microfinance in a retail product have a social and economic impacts on the Lebanese market but in reality, microfinance is a very profitable market for the bank with high risk so the bank only accepted to be part of this market when the risk sharing was offered by ESFD, in other word the bank's will to generate profit while minimizing the risk, and the main reason is to increase its profitability.

To note that the bank did not mention in its report any CSR pillar related to suitable lending. However, this is considered as one of the main roles of any bank. We will test the sovereign debt exposure of bank Audi using standardized approach, by calculating the sovereign risk weight = sovereign debt / Tier 1 capital.

In 2018 the sovereign debt of Credit Libanais bank was LBP 4,447.7 Billion and the Tier 1 capital was LBP 1,317.1 Billion, so **the sovereign debt weight risk was 337%.**

According to the Basel Committee standardized approach the bank was critical but on other hand it does not stand at the very bottom of the list compared to the result of other banks. To note that the bank is without the Basel requirement by 2.24 from the maximum level

4.2.10- IBL

IBL strategy of constant growth quantitatively and qualitatively is echoed in the several milestones of Corporate Social Responsibility.

IBL Bank is driven by the certainty that as a leading bank, it has to be work as a responsible part of society. Therefore, it launched many CSR initiatives:

Environment: IBL Bank is committed to sustainable development and to the protection of the environment. The bank is a leader in financing energy resourceful projects.

Supporting Sports Events: Sports spread out significant values in community. IBL Bank supported numerous events, such as the Tripoli Marathon and Champville Basket-Ball team.

Supporting Education: Education is the base of a strong society, IBL Bank supported numerous events, such as: Saints Coeurs Sioufi Mother's Day annual brunch and ALBA open door.

Supporting NGOs: IBL Bank is an active member of the community, and therefore, it supported many Non-Governmental Organizations, primarily: Dar el Aytam el Islamiya, Neonate fund and Heartbeat.

Supporting Culture: in its commitment in favor of cultural, touristic and artistic events, IBL Bank was the main sponsor of Byblos International Festival, and during 2018, the bank also supported numerous cultural events as: the Arab Architect Award, Ehmej Festival and Batroun Festival.

European Investment Bank (EIB): In December 2018, the bank has signed a finance contract with the European Investment Bank (EIB) as part of the EIB's Lebanon Private Sector Resilience Initiative based on which IBL will be able to finance projects undertaken in Lebanon at subsidized rates.

Finally, during this year, IBL continued to invest in Human Capital, since IBL is convinced that it is the most imperative form of capital. 2018 was rich in investment and in the employment of new talented comers as they make sure to manage the Human Resources in an efficient and effective method. Accordingly, given the bank's emphasis on the development of qualified staff, more than 111 managers and employees, attended 172 different seminars in Lebanon and abroad.

Bank exposure

According to CSR reporting, microfinance in a retail product have a social and economic impact on the Lebanese market, but in reality microfinance is a very profitable market for the bank with high risk so the bank only accepted to finance micro enterprises with the risk sharing offered by EIB in other word the bank generates more profits while minimizing the risk and the main reason, all this to increase its profitability.

The Bank did not mention any of the CSR pillars related to economic and environmental sustainability in its report, in addition it did not even highlight the main role of banks which is to make the best usage of the depositors' money.

We will test the sovereign debt exposure of bank IBL using the standardized approach, by calculating the sovereign risk weight = sovereign debt / Tier 1 capital.

In 2018 the sovereign debt of IBL bank was LBP 2,773 Billion and the Tier 1 capital was LBP 1,235 Billion so **the sovereign debt weight risk was 224%.**

According to the Basel Committee standardized approach, the bank was critical but better than other comparable banks. To note that the bank without the Basel requirement by 1.49 time from the maximum level accepted by Basel.

4.2.11- Lebanese and Gulf Bank (LGB)

Founded in 1963 and regardless of its large geographic distribution, LGB is not involved in reporting and does not have publications related to CSR strategies or its CSR programs, the bank is satisfied with the diffusion of a section in its annual report related to the bank's CSR program without mentioning any specific practices of this program or how it contributed to the Lebanese social development.

LGB has a special recruitment strategy and an expansional policy for employee retention, giving equal opportunities to every employee and allowing them to move up the ladder when the opportunity is there.

Although the bank did not have any CSR reporting but it surely was involved in social responsibility programs which included but not limited to employee's development and green loans lending which had a positive impact on society, last but not least when we mention lending we cannot omit the fact that LGB was involved in SME financing to

help boosting companies in order for them to grow their business and have a positive impact on the economy.

We will test the sovereign debt exposure of Lebanese and Gulf Bank using standardized approach, by calculated the sovereign risk weight = sovereign debt / Tier 1 capital.

In 2018 the sovereign debt of LGB was LBP1,472.2 Billion and the Tier 1 capital was LBP 557 Billion, **so the sovereign debt weight risk was 264%.**

According to the Basel Committee standardized approach, the bank was critical since they pass the Basel Maximum level by 1.76 times.

4.2.12- Credit Bank

Corporate Social Responsibility has always been a key and essential component of Credit Banks' mission. In 2018, it continued to support an extensive variety of associations, while introducing a series of initiatives mainly related to health, youth and education. The goal was to find and preserve long-term partnerships, as this allows the bank to make a lasting and substantial impact on the societies it operates in. Consequently, for the past four years, Credit Bank have been collaborating with the Institut de Reeducation Audio-Phoenétique (IRAP). IRAPs' multidisciplinary team provides education to the academic Brevet level to some 100 hearing impaired youths.

The bank's support and commitment in recent years helped IRAP to modernize and renovate its kitchen in order to grow its efficiency and capacity. The kitchen plays a vital role in helping IRAP fund its programs. Credit Bank got involved in a new initiative in 2017: the construction of new premises for IRAP to bring its activities associated to pastry making under one roof. This was done to enhance the output and help the association one step further on the path towards self-sufficiency. Every year, the bank

purchases the end-of year corporate gifts from IRAP. In addition, and since 2016, Credit Bank worked closely with the Lebanese Mountain Trail Association (LMTA), which has been working on the protection and development of Lebanon's long-distance hiking path, and the encouragement of communal responsible tourism, in order to defend the country's cultural and natural heritage. Credit Bank team in 2018 took part in the LMTA annual Fall Trek event, which had two teams of hikers over a period of 30 days walk the entire 470 km trail in opposite directions. In order to promote environmental consciousness, Credit Bank also supports annually Jouzour Loubnan, a Lebanese non-governmental organization (NGO) devoted to replanting Lebanon's mountains. Jouzour Loubnan planted over 300,000 trees since its creation in 2013. Credit Bank also partnered with the American University of Beirut Medical Centre (AUBMC) to help endure its lifesaving mission where

it supports the Sickle Cell Needy Patient Fund. Credit Bank also have supported Donner Sang Compter (DSC) since 2015, a Lebanese NGO collecting blood donations for emergencies. Associating with over 30 hospitals, DSC has conducted numerous blood drives all over the country. Credit Bank prearranged two blood drives in its headquarters, and also supported DSC in accommodating its annual fundraising event. Moreover, Credit Bank's team participated in Beirut Marathon to support DSC association for two consecutive years. The bank also joined efforts with Les Restos du Coeur, an NGO created by French artist Coluche. This NGO delivers food and several other necessities for people in need all over the world.

Credit Bank powerfully believes in the empowerment of Youth through education. Since 2017, it has supported also the American University of Beirut Model United Nations

Club (AUBMUNC), a society unifying meetings and discussions that aimed at teaching its members to develop into confident negotiators, leaders and speakers. Credit Bank also supported the College Sainte Famille – Sahel Alma in honoring their top students. The college's students who had the highest grades were rewarded for their hard work.

To note that Credit bank, in its report, does not mention CSR pillars related to economic and environmental lending sustainability, and on the other hand, the bank does not mention its main role which is to choose the adequate investment for the depositors' money.

We will test the sovereign debt exposure of Credit Bank using standardized approach, by calculated the sovereign risk weight = sovereign debt / Tier 1 capital.

In 2018 the sovereign debt of Credit bank was LBP 2,928.7 Billion and the Tier 1 capital was LBP 398 Billion, **so the sovereign debt weight risk was 735%.**

According to the Basel Committee standardized approach, the bank was critical even when compared to other Lebanese banks' situations. In addition, the bank exceeds the Basel maximum ratio requirement of sovereign debt by 4.9 times.

4.2.13- BBAC

BBAC cares about making a positive difference by remaining committed to Corporate Social Responsibility.

BBAC's CSR strategy focuses on the areas of environment, community and youth. BBAC also participates in numerous activities contributing to NGOs, sports, tourism, education, health, culture and arts. BBAC focuses on its employees through granting them studentship openings and encouraging them to willingly be part of the bank's CSR

activities. Outwardly, it maintains the uppermost moral standards when dealing with several stakeholders, especially when related to the community where the bank functions. By being part of such good activities, BBAC puts its essential value and care, into action in order to stimulate improved public growth, expansion and overall wellbeing.

To note that the bank did not mentioned in its report any CSR pillars related to economic or environmental lending sustainability, whereas, the main role of the bank is to find the work on its investment strategy and find the best investments for depositors' money. We will test the sovereign debt exposure of BBAC using the standardized approach, by calculated the sovereign risk weight = sovereign debt /Tier 1 capital.

In 2018, the sovereign debt of BBAC was LBP 149 Billion and the Tier 1 capital was LBP 852.1 Billion, so **the sovereign debt weight risk was 17.5%.**

According to the Basel Committee standardized approach, the bank was in an excellent position especially in the current situation of the Lebanese banking sector. To note that the bank is within the Basel requirement by 0.11 from the maximum level accepted

4.3-Findings according to ISO 26000

Table 1: The reporting of the CSR banking sector of 13 banks and the application with the principals of ISO 26000

	Sovereign exposure	Governance	Human rights	Labor practices	Environment	Fair operating practices	Consumer issues	Community involvement and development
BLOM	844.8 %	- Corporate	Protect Ed		-Education - recycling - Giving	Serving equality	Suitable investm	-Blom Shabeb -

		Governance			Card		ent	BBBM
BANK OF BEIRUT	784%	Corporate Governance	Empowering Youth	Employee Engagement & Development	Green Initiatives	Equal Opportunities	Responsible Banking	Corporate and Mental Well-Being Sustainable Partnerships
CREDIT BANK	735%		AUBMC	Youth education	Lebanese Mountain Trail Association Jouzour Loubnan			IRAP fund Donner Sang Compteur
Bank med	496%	Corporate Governance		Human Development	MICROFINANCE		Sustainable Financing	Social and Healthcare Support
AUDI	407%	Corporate Governance	-Kids Rewards Program	Human Resource Planning	Microfinance	-Equal Opportunity	- Grow My Business -e-Payment - Responsible Lending	- Loubnani
SGBL	398%	Corporate Governance	Child of Lebanon Donation day		Discover Ashrafieh cccl		sustainable development	Ghadi Score Academy Stop Plastic Bags
BYBLOS	396%	Corporate Governance		job opportunities	Byblos Bank/Shouf Reserve Bio-corridor		economic development	Financial Literacy Program Photography Progra

								m
CREDIT LIBANAIS	337%	Corporate Governance		Employment Chances E-Learning Training	Subsidized Loans Green Products		Quality Management System	Financing the Future Active in Communities
LGB	264%			Employee development	Green loans and SME financing			Social development
IBL	224%		ALBA open door.	Human Capital,	EIB		Suitable investment	Supporting NGOs Byblos Festival
FRANSA BANK	91.6 %	- Corporate Governance	Roads for Life right to life	Education & Knowledge	Eco-Friendly Loans Keeping it Green		Investing Responsibly	Injaz,
BBAC	17.5 %	Corporate Governance	Education health		Tourism sports			contributing to NGOs
BLF	14.8 %	Sustainable Engagement with Stakeholders.	Humanism	Sustainable Financial Innovation	Sustainable Environmental Strategy	Integrity	Sustainable Lending	Sustainable Support to the Community

After a review of the CSR reporting and ISO 2600 framework, we can conclude that just three Lebanese banks followed 100% the principals of this framework in their CSR reporting: Audi, BOB, and BLF. To note that for the reporting Audi was the most thorough between the banks under study. On the other hands, three banks respected the Basel exposure threshold, which are Fransabank, BBAC, and BLF. BLF being the best in

CSR execution. This bank was the only one in this study respecting Basel and ISO26000 requirements.

In addition, the consumer issues of the ISO 26000 were the most non-respected variable considering the Basel requirements since all banks reported practices to ensure satisfaction of costumers but in their execution 10 banks did not respect the acceptable ratio of the sovereign debt exposure. In fact, a bad investment of deposits is a contradiction with the client satisfaction. To note that most of the highlighted practices are reported but not executed by banks as they often contradict with the critical exposure ratio which partly represents their execution of CSR.

4.4- Conclusion

In the above section we studied 13 banks and only three of them: BLF, Fransabank and BBAC respected Basel ratios. The mentioned banks invested in CSR and worked on the long term and treasured CSR principals and Basel requirements. Easy profit policy was not adopted by these banks, but one thing is sure that with the current situation they will surely gain the trust of clients and potential clients which will translate in the retention of their current clientele and the possibility of increase their market share. Therefore, in the coming five years, we might see these banks becoming market leaders and they may be the only three Lebanese banks operating on the local market if the rest of the banks do not act fast to regain the trust of their clients.

CHAPTER 5- CONCLUSION AND RECOMMENDATIONS

5.1- Introduction

The business activities in Lebanon in relation to the CSR positively affect both the society and the environment. In other terms, the interaction between business and society reserves its importance by generating more positive externalities and minimizing negative ones within the businesses operating in the Lebanese market as is the case for all other businesses around the world. A responsible attitude toward society and the environment can increase competitiveness between businesses in Lebanon, thus, attracting more consumers while allowing the best employees better opportunities (Youness, Badderedine, & Khachfe, 2018)

5.2- Summary of Main Findings

In the Lebanese banking sectors mainly, all banks discussed and disclosed their CSR practices in several ways on their websites.

Audi Bank SAL implemented CSR through corporate governance, engraining responsible practices, economic development, sharing values, human development, education, and environmental protection. But after testing CSR implementation, we can conclude that bank Audi had differences between CSR reporting and CSR execution especially on the level of deposits suitable investments which is demonstrated by the high level of exposure.

BLOM Bank incorporated CSR in its direct products. Credit cards for example, in collaboration with the Lebanese Army, helped in removing mines and cluster bombs by preserving a small monetary amount upon each transaction done by customers, but on other hand, the bank did not pay attention to the investment which affected negatively the

society and the community during the current crises with one of the most critical exposure ratios on the Lebanese market.

Before most people had ever heard of the term CSR, Byblos Bank declared its full engagement in CSR and integrated CSR in the DNA of the bank. Byblos bank group affirmed that banking provides crucial building blocks for the advancement of any society, including faster economic growth, more job opportunities, and greater surpluses available for reinvestment. Byblos Bank concentrated on four areas: Education, Culture, Environment, and Community. But after we tested the sovereign debt ratio, we found out that Byblos Bank shows some contradictions between reporting and execution of CSR especially with its high level of sovereign debt ratio.

Fransabank Group is also engaged in CSR and believes that CSR is about making a contribution to sustainable development and society through creating long term values for the shareholders, customers, employees and other stakeholders. But after we measured the sovereign debt ratio, we can conclude that the bank respected the sustainable development of society and treasured its CSR reporting when it comes to the investment of depositors' funds.

SGBL group's main aim was to behave as a socially responsible company committed to civil society and to contributing to the economic and social progress of society. Through CSR, the bank invested continuously in its teams to better serve the community. But in term of financial investment the bank behaviors showed a lack in CSR principles in the execution especially with the high exposure value.

Bank of Beirut declares having the appropriate governance framework, risk management process and internal controls in place. BOB committed to promote and ensure responsible

business practices, by serving in many ways to empower and strengthen the community, but after testing the execution of business practices we can conclude that the bank did not achieve its goal to improve its commitment as it has one of the highest exposure ratios on the market.

From its side, Bankmed was also engaged in CSR through environmental sustainability, corporate governance, community development, economic development and human development. The main investment of the bank was in the youth because as per Bankmed, supporting young people allowed the bank to invest in sustainability and growth. But in term of economic development the bank was so far from the international standards of investment.

Banque Libano-Francaise, since its establishment in 1930, always contributed to a better society by stressing on “Responsibility, Integrity, Competences, Humanism, and Engagement” values in the bank community. These beliefs and practices are by excellence CSR concepts but were carried out before they were labeled today as CSR. Our study showed that BLF is one of the few banks who respected its reporting in term of risk and investment of depositor’s money.

Credit Libanais group is also engaged in CSR by seeking sustainable investments in order to maximize financial returns while achieving social and environmental good to the customers and community. But it was not the case of the Lebanese sovereign debt investment.

IBL Bank’s strategy was based on innovation, by targeting new markets and developing environmentally friendly and social responsibility products and services. The bank believed that sustainability will drive the performance of the bank on the long run for a

better community. But on the other side, the investment in the Lebanese sovereign debt translated into a negative impact on the community and the bank performance on long term.

BBAC put its core value, in order to stimulate a better community growth, development and an overall wellbeing. By engaging the bank into caring first for the youth, second for the employees, third for the environment and fourth for the community and this was specially the case in the bank's investment where BBAC did not invest in full in the Lebanese sovereign debt which had a positive effect on the community during the actual financial crisis.

Lebanese and Gulf Bank is also engaged in CSR, in order to support the community. The bank was involved in supporting several civil societies and empowerment projects. But on the other side the bank affected negatively the society by investing in sovereign debt this is shown in the high ratio of sovereign debt exposure.

Credit Bank declared that the departments of the bank are communicating and formulating strategies concerning all types of internal, external communication, CSR and sponsorship guidelines in line to reflect the board's vision, mission and values. The aim was to provide best services to the community but in term of sovereign debt exposure, after the testing we did, we can conclude that the bank did not give its customers the best banking services.

5.3- Research Limitations

Due to the current Lebanese economic and financial crises, the Lebanese banks did not publish their annual CSR reports for the years 2019 and 2020 so our calculations are based on data published in 2018.

Moreover, our sample size was 13 banks, whereas in Lebanon there are 49 banks. In fact, we chose the biggest banks due to the lack of data for small banks, in other words beta and gamma banks.

5.4- Possible future research

Our study is based on the question about CSR execution in the Lebanese banking sector in comparison to the reporting of CSR in this sector. We found differences especially in terms of investment in sovereign debt exposure so a possible future study can be in term of overall investment of Lebanese banking sector and the risk diversification of the Lebanese banking sector in addition to the possible solution for the current financial and economic crises.

5.6- Research Implications

This study is the first of its kind comparing the CSR disclosure of banks to their ethical practices through the measurement of their exposure.

Lebanese banks introduced tremendous reporting guidelines and adopted high standards in the CSR field. However, the reporting was seen as the theoretical part whereas, the implementation part came out different, which led to the current financial crisis in Lebanon.

According to our sample only three banks BLF, BBAC and Fransabank respect the Basel standard approach ratio with a sovereign debt ratio below 150% this mean that these banks have invested rationally the depositors' funds which will surely lead to a high and strong client satisfaction on the long term.

On the other hand, the remaining 10 banks of our sample Audi, BLOM, Byblos, Credit Libanais, IBL, Bank Med, SGBL, BOB, LGB, and credit bank did not abide by Basel requirements. They all have debt sovereign ratios above 150% explained by the fact that they invested in the government more than the accepted level which cause the current liquidity crisis that saw the light when the government defaulted on its debt in March 2020. This translated into the loss of clients' confidence in the Lebanese banks which might lead to these banks' bankruptcy.

In order to avoid such problems and to be a true participant in the community, Lebanese banks should go beyond theory and work on practical solutions that will help them overcome these problems, therefore, banks should stick to their ISO 26000 standards and all other practices mentioned in the banks' CSR reporting. Thus, banks should continuously measure their exposure and keep them below the suggested ratio.

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