Chapter 16
Egypt: Social Responsibility Disclosure Practices

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Abstract This paper offers updated evidence on social disclosure trends in Egypt. It examines whether Egyptian companies care about the community as an important stakeholder in their Internet social reporting. In doing so, the paper employs content analysis to measure and explore the social responsibility self-disclosure practices of major Egyptian companies in their online annual reports and/or Websites. The analysis shows that although there are good examples of corporate social responsibility practices in some Egyptian companies working in the telecommunication and construction industries, the extent of social disclosure in other Egyptian companies working in other industries is inadequate and there is still a long way to go. There is evidence to suggest that these companies’ social disclosure is still below the expectations of the community of stakeholder groups.

16.1 Introduction

The growth in global awareness of corporate social responsibility has increased substantially. Consequently, the academic interest in voluntary disclosures of social responsibility information in corporate annual reports has been raised to a large extent. In other words, there has been a rise in empirical studies on reporting practices in recent years, which provide insights into the number of companies disclosing such information, the subject matter included in these disclosures, the trend in overall disclosure over time and the general relationship between corporate characteristics and the tendency to disclose social responsibility initiative information.

However, much of the literature to date has focused on the experience of companies in the industrialized developed countries, mostly of Europe, the USA, Australia and New Zealand. No study has examined the corporate social disclosure practices in the Egyptian context. Within Egypt there are no requirements, legislative or professional requirements, for firms to disclose social initiatives undertaken. Yet, in a
developing country like Egypt, which has been experiencing great political reforms and speedy economic growth in recent years, there has been an increased societal demand for corporate social responsibility initiatives.

During my period of study as a PhD candidate in corporate environmental disclosures, I considered applying my research in the Egyptian context by contacting some Egyptian companies to obtain their most recent annual reports in order to look for corporate social and environmental disclosures. It was very difficult to obtain copies of these reports at that time. However, I was able to obtain four annual reports, but, unfortunately, there was no such disclosure, the Egyptian companies only provided their financial statements along with the auditor’s report.

Nonetheless, during the past few years there has been a growing public and media awareness of the role of corporations in the Egyptian society. For example, a new ministry for State for Egyptian Environmental Affairs has been established and has focused, in close collaboration with the national and international development partners, on defining environmental policies, setting priorities and implementing initiatives within a context of sustainable development.

Therefore, after more than 6 years from my first attempt, I thought it was a good idea, to re-examine what major Egyptian companies are doing in terms of caring about the community as an important stakeholder in their corporate social reporting via exploring the social responsibility self-disclosure practices of major Egyptian companies in their annual reports and/or Websites. The remainder of this paper is organized as follows. The first section discusses Stakeholder Theory. The research method applied to examine the data is outlined in the methodology section. Section four presents data analysis. Finally, section five presents brief conclusions and implications.

16.2 The Stakeholder Theory

The Stakeholder Theory arises from a rejection of the idea that the corporation should strive to maximize the benefits of a single set of stakeholders, the shareholders (Wijnberg, 2000). Freeman in his 1984 seminal work, Strategic Management: a Stakeholder Approach explains the relationship between the business and its behaviour within its external environment. Every corporation has complex involvements with stakeholders who have an interest in its actions and outputs and, therefore, they are a critical factor in determining the success or failure of a modern business corporation. Stakeholder Theory has two categories (Gray et al., 1996; Deegan, 2000). The first relates to the managerial branch and the second relates to the ethical (or normative) branch.

The managerial branch argues that organizations tend to satisfy the information demands of those stakeholders who are important to the organization’s ongoing survival and who have voting or political power (i.e. shareholders and governments). According to Ullmann (1985), the more critical the stakeholder resources