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Examining synergies between UAE corporate social responsibility laws and corporate governance frameworks

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Abstract

Purpose – This paper has investigated the synergies between the UAE corporate social responsibility (CSR) laws and corporate governance (CG) frameworks. The purpose of this paper is to examine the collective impact of CSR laws and CG frameworks on fraud prevention and detection within the UAE business landscape.

Design/methodology/approach – The researcher used a secondary analytical method to examine the synergies between UAE CSR laws and CG frameworks, focusing on corporate fraud detection and prevention. This method involved a comprehensive analysis of secondary sources of information from various sources such as government reports, legislation, academics and other sources such as the organization's CSR and other industry reports. The main secondary sources included the official documents of the UAE related to CG and legal requirements on CSR, the reports of the financial institutions of UAE and designated nonfinancial businesses and professions and international guidelines such as those from the financial action task force.

Findings – The UAE has various federal and emirate-level laws governing CSR and CG, emphasizing directors' duties, disclosure and reporting. Therefore, CG and CSR have bidirectional relationship within the context of the UAE legislative framework. However, the existence of different legislation at the federal and emirate levels is undermining the effectiveness of existing laws and regulations. The UAE must now work toward harmonization of existing laws and regulations to enhance their effectiveness and enforceability across emirates. The UAE government should consider expanding CSR provisions under the CCL or amend the CSR law to include provisions on mandatory reporting for unethical practices across corporations. The evolving global regulatory landscape, including the European Union Artificial Intelligence Act (EU AI Act), highlights the UAE's need for adaptive legal frameworks to integrate technological advancements into CG and CSR practices, ensuring ethical and transparent business conduct.

Originality/value – The researcher examined the collective impact of CSR laws and CG frameworks on fraud prevention and detection within the UAE business landscape. This examination also considers the broader implications for enhancing transparency and accountability in combating money laundering and other financial crimes. The research ultimately aims to provide insights into how UAE CSR laws and CG frameworks align to foster more robust and ethical corporate practices, contributing to a broader understanding of fraud prevention and governance best practices.

Keywords Fraud prevention, Corporate governance

Paper type Research paper

Introduction

The UAE's strategic location, stable political environment, modern infrastructure and business-friendly policies have contributed to its position as a key player in the international

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financial landscape. However, the UAE's global status as a financial and trade hub has exposed the country to more significant risks associated with financial crimes, including fraud, money laundering and illicit financial activities. Notably, the influx of capital and cross-border transactions within the UAE's financial system has created opportunities for criminal elements to exploit loopholes and engage in fraudulent activities (Karnitschnig, 2023). The UAE government has responded by adopting stringent regulatory measures aimed at combating financial crimes. The country's regulatory authorities have enhanced oversight of financial institutions, implemented anti-money laundering (AML) regulations and strengthened compliance requirements to address unethical corporate conduct (Kerr and Murray, 2023). This paper investigates whether these reforms, coupled with corporate governance (CG) and corporate social responsibility (CSR) frameworks, can collectively detect and prevent fraud and financial crimes.

Fraud and financial crimes continue to pose challenges for the UAE despite the country having a comprehensive and punitive legislative framework. The complexity of international transactions, diverse client base and evolving nature of financial crimes have exposed potential gaps within existing laws. For instance, the UAE financial sector faces numerous challenges, including weak regulatory frameworks, lack of transparency and inadequate enforcement mechanisms. These issues have made it easier for criminals to exploit the financial system, leading to significant financial losses and reputational damage for the country (Karnitschnig, 2023). This highlights the pressing need for a dual focus on CG and CSR practices to strengthen ethical conduct and align corporate behavior with societal expectations. Strong CG provides the foundation for embedding CSR into a company's operations by fostering ethical conduct and strategic alignment with societal needs. Furthermore, prioritizing CSR can challenge companies to integrate more inclusive stakeholder engagement practices within their governance structures while exerting pressure for greater transparency and accountability (Sitara, Abdul Manab, and Binti Ismail, 2023).

Transparency and accountability are the underpinning principles of good governance practices. The UAE was on the Financial Action Task Force (FATF) gray list from March 2022 to February 2024. FATF, a Paris-based global ML and terrorist financing watchdog, added the UAE to the list for failing to prevent money laundering and terrorist financing activities (Barrington, 2022). The FATF's designation was critical for the UAE, considering the country's booming construction and real estate sector and Dubai's status as a regional financial hub. The thriving construction, real estate and financial sectors have exposed the UAE to money laundering and other corporate financial crimes. Consider the example where the UAE, especially Dubai, has contributed to landmark global scandals such as the Luanda Leaks, the Fishrot Files, the Russian Laundromat and the Gupta Brothers (Transparency International, 2020). The UAE is no longer on the FATF gray list, demonstrating the country's commitment to AML and terrorist financing initiatives. The UAE has undoubtedly developed a robust legal framework against fraud and financial crimes. This paper aims to evaluate the effectiveness of these frameworks by examining their synergies with CG and CSR laws.

Research problem

Corporate scandals, from Enron to Wells Fargo, have emerged since the turn of the century. Specifically, the 2007 / 2008 global financial crisis exemplified the scope and far-reaching implications of unethical behavior across companies. As such, nation-states can no longer ignore the negative impact of unlawful and unethical corporate behavior on their capital welfare and economic stability. High-profile cases reported over the years often include accounting fraud, production of goods and other standardized practices within corporations (Velte, 2023). However, corporate scandals also involve failure on the part of the management or breaches in governance practices or norms related to CSR. This pattern suggests a deeper systemic issue tied to gaps in CG frameworks and the integration of CSR principles.

A notable observation is that corporate scandals are an indictment against the existing organizational culture. Organizational culture is a set of widely shared values, beliefs, meanings and principles that establish a solid foundation for ethical organizational behavior and conduct (Velte, 2023). Unfortunately, executives and other stakeholders responsible for promoting ethical behavior as the organizational role models have failed in their responsibilities. This failure highlights the necessity of strong CG mechanisms that emphasize accountability, integrity and stakeholder engagement.

The failure of organizations to uphold an ethical organizational culture brings to the forefront the need for CG. CG entails a system of rules, practices and processes that direct and control actions and strategic direction of a company. The practice of CG involves balancing the interests of a company's diverse stakeholders, including shareholders, management, employees, customers, suppliers, financiers, government and the community. The goal of CG is to ensure that the company operates in an ethical, transparent and responsible manner (Rebel, Johan, and Schweizer, 2021). Thus, strong CG mechanisms insulate business organizations from unethical conduct at all levels of the organization through checks and balances, including oversight mechanisms. A noteworthy observation is that CG emphasizes ethical corporate culture and leadership, laying a solid foundation for integrity, transparency and accountability (Rebel, Johan, and Schweizer, 2021). Conversely, CG does not necessarily make companies immune to unethical conduct. The ongoing legal battles involving high-profile cases in the UAE, such as NMC Health, underscore vulnerabilities in CG frameworks and the urgent need for reforms integrating CSR for improved ethical oversight.

The NMC Health case study illustrates how CG is not an assurance that a company will uphold ethical behavior. Notably, NMC Health has been a model of financial and strategic success characterized by the transformation of the healthcare system in the UAE. For example, NMC Health's share price increased threefold after being listed on the London Stock Exchange in 2012, whereas the company's market increased by 20% over the same period (Narayanan, 2022). The financial and strategic success that the healthcare organization initially had can be attributed to the company's strategic mission, vision and management. Furthermore, the company achieved a significant competitive advantage through effective management, which was a major gap in the UAE healthcare market. NMC Health's mission and vision would spur the company to its strategic and financial dominance within the UAE and globally (Kane, 2020). Conversely, investigations into the financial position of NMC Health Group in 2020 revealed the existence of a multibillion-dollar scandal. Ongoing investigations into accounting irregularities at NMC Healthcare have shifted focus to CG and CSR.

Other scandals, such as those involving Al Masah Capital, Arabtec and Abraaj, further reveal systemic issues in the UAE's corporate landscape (Milton, 2023). These cases highlight weaknesses in internal control systems and the lack of integration between CG and CSR frameworks as tools for fostering ethical corporate conduct.

Research purpose

Expanding regulations and escalating enforcement activity are insufficient to promote CG by deterring corporate corruption and other unethical practices. Furthermore, no authority has the resources and infrastructure necessary to micromanage the policing of the corporate world and financial institutions. Self-policing is gaining prominence, emphasizing transparency and accountability and fostering an ethical corporate culture. This research explores how CSR principles can complement CG frameworks to enhance self-policing mechanisms within corporations.

A growing area of interest is the possible synergies between CSR and CG, particularly how CSR can strengthen CG frameworks. Therefore, the research sought to investigate the synergies between the UAE CSR laws and CG frameworks. The researcher examined the collective impact of CSR laws and CG frameworks on fraud prevention and detection within the UAE business landscape. This examination also considers the broader implications for enhancing transparency and accountability in combating money laundering and other financial crimes.

The growing emphasis on ethical conduct and transparency, especially around money laundering and terrorist financing, has highlighted the importance of sound CG practices. A growing area of interest is how to integrate principles of CSR within CG structures to promote ethical conduct. As such, the researcher explored the CG-CSR relationship from the UAE legal perspective. The research aims to provide insights into how UAE CSR laws and CG frameworks align to foster more robust and ethical corporate practices, contributing to a broader understanding of fraud prevention and governance best practices.

Literature review

Research on CG and CSR is abundant in business and management disciplines, although there is no consensus on the nature of the relationship between the two concepts. The CG–CSR relationship can be explored and conceptualized based on two strands despite the lack of consensus. The first strand conceptualizes CSR as a function of CG, whereas the second one views CG as a function of CSR (Zaman *et al.*, 2022). The two strands illustrate the interface between CG and CSR, highlighting how these domains intersect and influence each other. The main assumption here is that effective CG can serve as a catalyst for promoting CSR within organizations. For instance, companies with robust CG structures are better positioned to integrate CSR principles into their strategic planning and decision-making processes. On the other hand, CSR can also profoundly influence CG by shaping the priorities and behaviors of boards of directors and senior management. Notably, companies that prioritize CSR are more likely to embed ethical considerations into their governance practices, leading to greater transparency, stakeholder engagement and long-term value creation (Zaman *et al.*, 2022).

Integration of CG and CSR can lead to enhanced stakeholder value. Companies can foster trust among stakeholders, mitigate risks associated with environmental and social issues and improve their overall reputation by aligning governance mechanisms with CSR objectives. The integrated approach benefits the company's bottom line and contributes to broader societal well-being (Zaman *et al.*, 2022). A pertinent issue that emerges is whether mechanisms of CG influence CSR independently or as complements. Research findings have shown that specific CG mechanisms have complementary effects on CSR, whereas others have substitutive effects (Oh, Chang, and Kim, 2018). Specifically, board independence leads to higher CSR engagement, indicating that independent boards are more likely to prioritize CSR initiatives. On the other hand, CEO duality, where the CEO also serves as the chair of the board, has a substitutive effect on CSR. The latter observation suggests that the emphasis on SCR activities reduces when the CEO holds both positions (Oh, Chang, and Kim, 2018). Hence, depending on specific situations, CG mechanisms will have complementary or substitutive effects on CSR activities.

Divergent views exist about the CG–CSR relationship, but the role of better governance in promoting CSR is undeniable. An enduring assumption is that companies with better governance structures and mechanisms are more socially responsible (Bolourian, Angus, and

Alinaghian, 2021). A plausible argument is that the CG–CSR relationship is evident at the board level, considering how board members shape a company's CSR strategy and guide its implementation. Research findings have shown that the board composition, particularly the presence of female directors, positively impacts CSR performance. Diverse boards with different backgrounds, experiences and perspectives are more likely to prioritize CSR and integrate it into their decision-making processes (Bolourian, Angus, and Alinaghian, 2021). Moreover, board independence has a positive effect on CSR performance. Independent directors, defined as those not affiliated with the company's management, can provide an independent perspective and challenge the status quo, leading to more socially responsible decisions (Zaman *et al.*, 2022). These findings underscore the synergies that underpin the CG–CSR relationship.

Research studies have established synergies between CG and CSR. A noteworthy observation from these studies is a bidirectional relationship between CG and CSR (Bolourian, Angus, and Alinaghian, 2021; Zaman *et al.*, 2022; Oh, Chang, and Kim, 2018). Effective CG plays a crucial role in shaping a company's approach to CSR. The board of directors and senior management are responsible for setting the tone at the top and establishing a culture of ethical behavior and social responsibility within the organization. Transparent decision-making processes, accountability mechanisms and moral leadership are fundamental components of good CG that facilitate the implementation of CSR initiatives. Comparatively, CSR initiatives can exert a profound influence on CG practices. Companies prioritizing CSR often incorporate sustainability principles into their governance frameworks. A notable example entails expanding the board's oversight to include environmental and social performance metrics alongside traditional financial indicators (Tavakoli, Gibbs, and Manesh, 2024). Board oversight illustrates how CG intersects with CSR to promote accountability and prevention of corporate fraud.

Methodology

The researcher used a secondary analytical method to examine the synergies between UAE CSR laws and CG frameworks, focusing on corporate fraud detection and prevention. This method involved a comprehensive analysis of secondary sources of information from various sources such as government reports, legislation, academics and other sources such as the organization's CSR and other industry reports. The main secondary sources included the official documents of the UAE related to CG and legal requirements on CSR, the reports of the financial institutions of UAE and designated nonfinancial businesses and professions (DNFBPs) and international guidelines such as those from the FATF.

The inclusion criteria considered only recent data sources and excluded the sources that were not relevant or authoritative to the aim and objectives of the study. This was done rigorously to ascertain reliability and validity. The data were analyzed thematically. Thematic analysis is a method of analyzing collected data that aims to find themes and patterns in the collected data (Clarke and Braun, 2017). Documents were systematically reviewed, key sections were coded and the identified patterns that dominated the literature were mapped out, including CSR as a part of governance systems, functional use of the notion of transparency in avoiding corporate misconduct and regulatory effects on corporations.

This approach provided an overall perspective of the topic with a strong link to CSR and governance. For example, legal documents and empirical evidence from company/industry databases pointed out the incorporation of CSR into management/governance systems. Triangulation of findings across diverse sources enhanced the credibility and depth of insights (Walliman, 2021). In addition to, the analysis included information about the UAE's adherence to international standards in line with FATF recommendations and the UAE's legislation. The study also explored CSR and governance alignment on the enhancement of ethics, including the integration of sustainability and stakeholder management into CG mechanisms. It emphasized the interaction of corporate boards in aligning CSR strategies with the management of governance goals and the definitiveness of ethical leadership in addressing fraud.

While the approach provided many benefits, the researcher identified certain drawbacks, such as reliance on the quality of the existing information and a possible mismatch with specific goals. To avoid or minimize these, a comprehensive review was done to ensure maximum relevancy and credibility. However, the lack of dynamic views and cultural imprints in secondary data was established as a weakness, suggesting the need for complementary primary research in future studies (Walliman, 2021).

Overall, the secondary analytical approach more broadly offered a basis for comprehending the relationship between CSR and CG in the UAE. By reviewing diverse and credible literature sources, the study demonstrated that CSR laws and governance help enhance fraud management and promote ethical business behavior. The thematic analysis helped maintain the study's relevance to its objectives and generate meaningful insights into CSR and CG integration.

Findings

Legal and regulatory frameworks in the UAE

The UAE has committed to aligning its legal and regulatory framework with international standards in combating financial crimes, mainly through three primary regulations: Federal Law No. 20 of 2018 (AML Law), Cabinet Decision No. 10 of 2019 and Cabinet Decision No. 16 of 2021. These regulations aim to combat money laundering and the financing terrorism while ensuring the UAE's compliance with international obligations (UAE Government, 2024).

Federal Law No. 20 of 2018 mandates key provisions, such as customer due diligence, record keeping and reporting of suspicious transactions, in compliance with the FATF standards (FATF, 2024). It also extends beyond the banking sector to include DNFBPs, such as real estate agents and dealers in precious metals, reflecting a broader approach to financial crime.

However, the AML Law has some limitations. While it targets money laundering and terrorism financing effectively, it does not address other types of corporate fraud, including accounting fraud, embezzlement and insider trading, which continue to be relatively unregulated (Lassoued, 2024). Smaller businesses struggle to meet compliance requirements due to a lack of funds or inadequate resources, while large companies have sufficient resources to finance their compliance requirements and meet the regulatory standards (Lassoued, 2024). Cabinet Decision No. 10 of 2019 provides enhanced regulations for the procedure pertaining to politically exposed persons (PEPs) and high-net-worth individuals, ensuring the UAE's compliance with international standards (UAE Government). However, it lacks provisions addressing broader financial crimes, leaving gaps in enforcement.

Fragmentation within the regulatory framework is also an issue in enforcing regulatory measures. Differing regulations across emirates, particularly between Dubai, Abu Dhabi and the Dubai International Financial Centre (DIFC), make it difficult to achieve uniformity in CG management and AML/CFT (DIFC, 2021).

Whistleblowing and corporate transparency

A significant gap in the UAE's AML/CFT framework is the inadequate protection of whistleblowers. While certain protections are provided by the New Penal Code (Federal

Law No. 31 / 2021), these are not well-defined and, notably, do not include effective means of implementation for whistleblowers who disclose information publicly or to the media (UAE Government, 2021). This lack of clarity hinders fraud detection, particularly in larger firms.

A literature review of CG findings shows that whistleblowing is an effective means of combating fraud. However, due to legal and cultural constraints, including nondisclosure clauses in employment contracts, employees are reluctant to report wrongdoing (Al-Tawil, 2024). These cultural and legal barriers might explain why the whistleblowing phenomenon in the UAE does not seem as developed as in other jurisdictions where whistleblowers' rights and legal mechanisms to encourage their actions are more established. To enhance the impact of the UAE regulations, employers need to provide more robust whistleblower protections for internal and public reporting (Al-Tawil, 2024).

Digital finance and cryptocurrency-related risks

Digital finance and cryptocurrencies pose significant challenges to the UAE's regulation. Even though FATF has provided recommendations on how such risks could be addressed, the UAE AML Law fails to capture the essential dynamics of virtual currencies (FATF, 2024). Cryptocurrencies are unlike other typical financial tracking methods and are almost impossible to monitor/track, as highlighted by Al-Tawil (2023). Thus, the UAE AML law, to a substantial extent fails to regulate legal questions related to bitcoins and other cryptocurrencies, which are increasingly used in financial crimes, including money laundering.

Cryptocurrencies present a unique problem for financial monitoring systems because of their decentralized nature. Unlike other financial securities, cryptocurrencies exclude intermediaries such as banks, creating a significant challenge for regulating authorities when tracing the cash flow (Al-Tawil, 2023). This loophole in regulatory oversight has resulted in vulnerabilities that can be exploited by parties involved in terrorism financing. The problem is that the AML Law in its current form does not reasonably address cryptocurrency-related crimes, leaving a significant loophole in the UAE's strategy to combat financial crime (Al-Tawil, 2023).

Based on these findings, the UAE needs to expand its AML framework to encompass the digital asset industry. Addressing existing customer due diligence weaknesses by extending these standards to cryptocurrency exchanges and related entities similar to traditional financial institutions would effectively close existing gaps in the regulatory framework. In addition to, increased international collaboration between countries and supervisory authorities is essential to address the cross-border nature of cryptocurrency transactions and to develop a unified global approach to managing the risks associated with cryptocurrency-related crimes (Al-Tawil, 2023).

Corporate governance and enforcement mechanisms

The UAE Corporate Governance Law mandates transparency through accurate financial statements and director accountability. While this encourages good practices, weak enforcement mechanisms undermine its effectiveness (Deloitte, 2022). Such practices are mostly followed in large organizations, especially those listed on stock exchanges, due to pressure from investors. However, small and medium enterprises (SMEs) often lack similar compliance, weakening the overall impact (Deloitte, 2022). In addition to, CG measures support AML and CFT objectives, requiring internal controls, risk management and accurate reporting. Nevertheless, their effectiveness is limited due to the variations in regulation enforcement and the lack of similar guidelines across the emirates (FATF, 2024).

Compliance with CG standards is also linked to regulations against DNFBPs, such as real estate firms and jewelers. For instance, in Q3 of 2023, the UAE Ministry of Economy shut down some DNFBPs that did not adhere to the AML and CFT requirements (UAE Ministry of Economy, 2023). This action demonstrates that the government is serious about maintaining compliance with AML laws and regulations, but it also reveals a problem: the challenge of implementing the rules effectively in different sectors and settings. Enforcement actions, including the suspension of DNFBPs and fines imposed on 225 companies in 2023, show the critical role of regulatory agendas in CG and responsibility of firms for eradicating financial reporting fraud (UAE Ministry of Economy, 2023).

Corporate social responsibility initiatives

The UAE has been at the forefront of embedding CSR within the corporate sector. The CSR UAE Fund was established through Cabinet Decision No. 2 of 2018; the fund seeks to engage companies in responding positively to social and environmental challenges (UAE Government, 2018). This fund acts as a catalyst, motivating businesses to engage in philanthropic activities and supporting the sustainable growth of infrastructure, social justice and environmental conservation. Despite the positive trend, while CSR objectives are widely accepted, their implementation remains voluntary and there is significant variation across sectors. Some companies actively participate in CSR programs to address national sustainability goals, whereas others do not consider CSR a strategic component in their business operations (UNDP, 2020). The inconsistent application of CSR practices across different industries shows the need for more structured CSR practices aligned with social responsibilities.

In addition to the federal CSR UAE Fund, other local programs initiated by the Sharjah Government seek to ensure CSR implementation within its area of operation, including the Sharjah Social Responsibility Award, which rewards companies that are most successful in implementing CSR activities. This program has brought about favorable development and positive reformation of the corporate culture, encouraging corporate entities to embrace sustainable development, education, health facilities and community welfare. The Sharjah Chamber of Commerce and Industry (SCCI) is instrumental in these efforts by providing a platform for companies to record their CSR activities and work with the local authorities on community projects (Sharjah Government Media Bureau, 2025; WAM, 2024; Sharjah Government, 2025).

These initiatives have led to noticeable improvements in corporate involvement in social welfare programs, particularly in environmental conservation and support for underprivileged communities. However, measuring the extent of the impact of these CSR efforts is still problematic because CSR reporting remains voluntary in Sharjah. While businesses engaged in CSR report indicate positive changes in perception from the public, increased employee morale and, in some cases, financial performance, CSR requires a better evaluation framework for improved accountability.

Summary of findings

The UAE has made significant progress in aligning its regulatory framework with international standards, particularly in AML/CFT measures. Nevertheless, there are still weaknesses in the general approach to addressing broader corporate fraud, protecting whistleblowers and regulating digital finance. Weak enforcement of CG laws and the voluntary nature of CSR initiatives further limit their impact. Strengthening these areas, especially by integrating mandatory CSR reporting with AML/CFT objectives, would improve CG and enhance the ongoing fight against financial crimes, including money laundering and terrorist financing.

Discussion

Challenges in the UAE's anti-money laundering/CFT legal framework

The UAE has made significant strides in combating money laundering and terrorism financing through the new Anti-Money Laundering Law issued in 2018, Federal Law No. 20 / 2018. However, its progress remains hampered by the law's limited scope. Despite covering fundamental areas such as money laundering and terrorism financing, the law does not adequately address other financial misconducts that are very important to the financial space, including fraud and insider trading, as envisaged by FATF (2024).

One of the emerging challenges is the rise of cybercrime, particularly its growth in conjunction with the development of the digital economy. Unfortunately, cybercriminals continuously take advantage of weak spots in digital platforms. Therefore, AML/CFT in the UAE needs to adapt and diversify to address these emerging threats. To address this gap, the UAE could draw valuable lessons from the EU Artificial Intelligence (AI) Act (Regulation (EU), 2021 / 0106), which imposes the legal obligations on businesses for governance and social responsibility on businesses relating to AI systems. The UAE could enhance its approach to recognizing/detecting financial crimes like fraud and money laundering leveraging advances in digital technologies if it integrates AI governance into its AML system. With the AI-driven systems, surveillance and preliminary detection of all suspicious financial activities could be significantly improved, closing existing gaps in the detection of financial crimes enabled by emerging technologies like AI.

Another important problem is the difference in compliance between large companies and SMEs. Although big firms are usually better positioned to address compliance needs, SMEs lack organizational support and expertise to implement effective AML/CFT measures (Lassoued, 2024). To address this, the UAE government could encourage SMEs to comply by offering them tax credits or subsidies to provide digital compliance solutions like AI transaction monitoring. This would level the playing field and ensure that SMEs contribute to a stronger AML/CFT framework.

Whistleblower protection: a key issue

The whistleblower protection measures included in the New Penal Code (Federal Law No. 31 / 2021) have improved the security of individuals who report financial misconduct. However, these measures remain underdeveloped, especially regarding enforcement (UAE Government, 2021). Despite the importance of a strong whistleblower culture for identifying financial criminal activities, the lack of definitive protections causes people to refrain from reporting due to fears of retaliation or career repercussions (Al-Tawil, 2024). Gibbs (2020) emphasized that inadequate protection can discourage those wishing to report financial misconduct.

To address this, the UAE could strengthen its legal framework by establishing clear procedures for reporting, ensuring confidentiality and offering immunity from retaliation. However, legal protection alone does not guarantee increased whistleblower activity, as other elements of organizational culture, including fear of conflict with managers or violating confidentiality norms, may negatively influence the effectiveness of whistleblower systems (Ius Laboris, 2023). Public awareness campaigns could play a crucial role in changing attitudes and encouraging people to report acts of misconduct. Furthermore, incorporating the EU AI Act's ethical principles into whistleblower protection systems could enhance transparency and promote a stronger reporting culture, particularly in sectors implementing AI and financial crimes. Establishing independent third-party bodies to oversee whistleblowing cases would also increase public confidence in this system and ensure accountability.

The importance of whistleblower protection in fostering accountability cannot be overstated. While the Penal Code provides general protection for whistleblowers, enforcement structures are still problematic and appear inadequate, undermining their effectiveness (UAE Government, 2021). In this regard, Tavakoli, Gibbs, and Manesh (2024) discussed the complexities of ethical decision-making in the context of legal frameworks for whistleblowing, providing key insights for enhancing the UAE's approach. The EU AI Act provides a roadmap for improving the protection of whistleblowers, especially when AI is used in a manner that poses high ethical questions and when there is a report of compliance issues. By integrating secure, anonymous reporting channels and ensuring immunity from retaliation, the UAE could create a more robust protection system for whistleblowers. Moreover, implementing independent third-party oversight of whistleblowing cases could further bolster trust in the system. In addition to, adopting the EU's emphasis on transparency within CG could help address current system's deficiencies, including fear of retaliation and concerns over authority (Ius Laboris, 2023).

The digital economy: Responding to emerging financial crimes

The rapid expansion of the digital economy, particularly with cryptocurrencies, presents significant challenges for AML/CFT enforcement. Cryptocurrencies are mostly at risk of being used in money laundering and financing terror activities/organizations due to their decentralized and anonymous features (Al-Tawil, 2023). Despite the UAE's attempts to license the sector, its current legislation does not fully address these emerging risks (FATF, 2024). The UAE may require a better legal regulation similar to the EU's Markets in Crypto-assets (MiCA) Regulation for more effective prevention and identification of financial crimes associated with digital assets.

Moreover, integrating the AI-based blockchain technological analysis into the AML measures used by financial institutions would improve the identification of suspicious transactions and the UAE's tracking of illicit activities. Sharing blockchain data and monitoring suspicious transactions will also enhance the UAE's contribution to international cooperation in combating AML/CFT. All these measures should not only support reducing threats associated with digital financial crimes but also place the UAE at the forefront of managing the new digital economy.

As the UAE faces challenges in managing the complexities of the digital economy, the EU AI Act offers valuable insights. The Act's AI governance framework requires businesses to develop auditing and compliance that practices and enforces ethical and accountable use of AI systems. The UAE could incorporate similar mechanisms, especially in sectors involving cryptocurrencies and financial technologies, which would improve the identification of potentially suspicious transactions and provide an additional layer of improvement for the UAE's anti-money laundering and counter-financing of terrorism, further strengthening the UAE's AML/CFT capabilities and reinforcing its role in global digital asset management.

Corporate governance: enhancing transparency and accountability

The UAE has the Corporate Governance Law for financial reporting and monitoring, but unlike some developed nations, it is highly dependent on self-regulation and does not have an independent audit, leaving room for potential noncompliance (Deloitte, 2022). Specific enforcement tools that would improve compliance with these standards include having regular inspections preceding noncompliance penalties; this would also play a key role in increasing accountability. Also, incorporating AML/CFT standards into the CG framework might improve corporate reporting on financial crime. Measures including internal controls, supervisory boards and other reporting practices would enhance CG and the fight against financial crime (FATF, 2024).

Integrating compliance with AML/CFT within the CG framework could further strengthen transparency. This may involve robust internal controls, board-level monitoring and detailed reporting of the financial accounts. If independent audits are included in the UAE Corporate Governance Law, such fears could be alleviated, boosting confidence in adhering to the regulations and minimizing misreporting. In addition to, the EU AI Act's governance frameworks offer valuable insights into mechanisms that establish proper procedures concerning the links between AI regulation and CG, specifically regarding the finance sector. The UAE could increase transparency by regulating frequent AI audits and developing internal controls over AI systems, particularly in industries like financial technologies.

Through Federal Decree-Law No. 55 of 2023 and the UAE Media Law and other legal reforms, the UAE has adopted improved legal regulations in relation to CG and the corporate entities' media and public reporting. This law seeks to raise the levels of reporting required from corporations, particularly with regard to corporate events and management. The law also protects whistleblowers, as corporate misconduct can be reported through media by a person without facing prejudice, discrimination or dismissal (UAE Government, 2024).

The UAE Media Law has a positive impact on CG in that it polices corporate behavior and adherence to standards on behalf of the public. The law fosters initiatives to fight financial crimes such as money laundering and fraud because it encourages higher-quality reporting on business operations, financial outlooks and corporate management. This legislation aligns with the UAE's recent efforts to increase CG and ethical standards in business, ensuring corporations and individuals involved in corporate malpractice are exposed and held accountable.

Corporate social responsibility and corporate governance elements: laws, regulations and rules

To clarify how different laws, regulations and rules intersect with CG and CSR practices, Table 1 illustrates these elements. It highlights the key legislative mandates influencing CSR and CG practices in the UAE.

The UAE's CG and CSR regulatory framework is evolving, but gaps remain. For instance, voluntary CSR practices might create opportunities for businesses to avoid engagement, which, in effect, defeats the essence of social responsibility practices. The UAE could find value in adopting a structured CSR framework for reporting, such as the European Union's Non-Financial Reporting Directive (EU NFRD), which requires large firms to report comprehensive information on their environmental, social and governance practices. The EU AI Act emphasizes the relationship between commercial activities and ethics, the use of AI for the well-being of individuals in society and the effects of AI on the environment. This is an area the UAE could emulate to enhance CSR disclosure, including AML/CFT compliance and ethical use of AI. This would help organizations adopt the best practice guidelines and support the ethical culture and CG in the UAE financial and technological sector. Whistleblower protections, as noted in the work of Gibbs (2020) and Tavakoli, Gibbs and Manesh (2024), may improve the prevalence of transparency and accountability norms. These frameworks indicate that decisions should be ethical, whistleblowers must be protected legally and factually, and corporate cultures should uphold ethical values. These protections will help the UAE to improve its efforts to further the concept of CG and CSR to create a transparent and responsible business climate.

Table 1. Key legislative mandates influencing CSR and CG practices in the UAE

Law/Regulation	CSR/CG mandate	Key focus area
Federal Law No. 20/2018: Anti-Money Laundering (AML) Law	Mandates financial transparency, disclosure and anti-fraud measures	Preventing money laundering and financing of terrorism
Federal Law No. 31/2021: The New Penal Code	Whistleblower protections and ethical conduct in business	Legal protections for individuals reporting financial misconduct
Cabinet Decision No. 2/ 2018: CSR UAE Fund	Encourages voluntary CSR contributions	Promoting social responsibility and charitable initiatives
Cabinet Decision No. 16/ 2021	Strengthening AML/CFT compliance within the financial sector	Financial transparency and adherence to international standards
Federal Decree-Law No. 55/2023: UAE Media Law	Mandates transparency in corporate media and public reporting	Whistleblowing and corporate accountability through public channels
Federal Decree-Law No. 34/2021: Cybercrime Law	Accountability for corporate misuse of digital platforms	Preventing fraud, cybercrime and promoting ethical online conduct
Federal Decree-Law No. 32/2021: Commercial Companies Law (CCL)	Encourages CSR practices and mandates reporting on social responsibility	Corporate governance, transparency and stakeholder engagement
UAE corporate governance code	Ensures transparent financial reporting, board oversight and shareholder engagement	Governance structures for transparency, accountability and ethical business practices

Source: Table created by authors

Synergies between corporate governance, corporate social responsibility and legal frameworks

The UAE has demonstrated lgislative competencies regarding harmonizing its AML/CFT, CSR and CG regimes. The steps toward implementing the AML law are aligned with CSR ambitions to promote the social responsibility of legal entities. However, there is still a problem with a high level of fragmentation of regulations. The way to regulate compliance is to have all requirements in CSR centralized under one authority so that every CSR effort prescribed by law aligns with the standards of governance. This would simplify reporting criteria and minimize misunderstanding of diverse laws.

In addition to, implementing AI principles into CSR-focused activities, such as the inclusion of the CSR UAE Fund, could improve the transparency of business activities. Compliance checks through AI might be integrated into the existing framework of CG, which will promote unified management of corporate responsibility and ethical behavior. Mandatory CSR reporting on AML/CFT and AI compliance would enhance corporate social responsibility and international regulatory compliance.

Strengthening these synergies could further institutionalize ethical practices across sectors. For instance, mandatory CSR reporting may help address the gap between business and AML/CFT initiatives for business and other CG and societal standards. Enhanced public reporting standards per the UAE Media Law (Federal Decree-Law No. 55 / 2023) can also improve corporate responsibility by emphasizing the importance of disclosing financial and social performance. The synergies between CG, CSR and legal frameworks in the UAE could be even more optimized by integrating AI principles into existing laws. For instance, the CSR UAE Fund could integrate AI ethics and AML compliance into its reports, increasing the organization’s accountability and public trust. The AI-based compliance audits and the existing CG practices could foster change and create proper accountability for ethical business conduct. By adopting lessons from the EU AI Act, the UAE can make necessary regulatory improvements while staying continuously relevant to new trends.

Gaps and areas for improvement

While the UAE's CG, CSR and AML/CFT laws are commendable, significant gaps persist, particularly regarding voluntary CSR initiatives. The lack of mandatory CSR reporting allows companies to opt out of CSR engagement, which contradicts the overall goal of social responsibility. To address this, the UAE could adopt CSR reporting models closer to the EU NFRD, under which large companies are required to disclose specific information about their environmental, social and governance practices. In addition, even though the UAE has stepped up efforts fighting against money laundering, the current framework's focus on large businesses exposes smaller entities to financial crimes. Offering tax exemptions, grants and training opportunities could compel the SMEs to undergo compliance measures and contribute to the UAE's overall AML/CFT framework.

Recommendations

The UAE has registered tremendous success in establishing structures in forming CG, CSR and the legal system to control corporate misconduct and financial crimes and promote ethical business. Nevertheless, it has some deficiencies, notably in voluntary CSR practices, whistleblower protections and adapting to emerging technologies. By adopting a more integrated approach to CSR, enhancing the protection of whistleblowers and using advanced technology like AI in reporting on financial crimes, the UAE can continue to upgrade its legal standards to align with international standards and use ethical standards in business. Based on the findings and discussion of this study, the following recommendations can enhance the UAE's AML/CFT, CG and CSR frameworks:

- expand the scope of the AML Law to cover a broader range of financial misconduct, including emerging risks related to cryptocurrencies and AI;
- strengthen whistleblower protections by establishing clear reporting frameworks, focusing on AI-driven anonymous platforms to ensure confidentiality and protection from retaliation;
- integrate AI compliance into CG structures, inspired by models set by the EU AI Act, to enhance ethical business practices and oversight;
- mandate CSR reporting on AML/CFT and AI compliance, fostering greater corporate transparency and alignment with global standards; and
- harmonize regulations across jurisdictions to ensure uniform enforcement of AI-related governance and compliance standards, reducing regulatory complexity for businesses operating across multiple regions.

Conclusion

This research examined the combined impact of CSR laws and CG frameworks on fraud prevention and detection within the UAE business context. The study reveals the commonality of both CSR and CG goals being integral to improving transparency and accountability, as well as reducing unethical conduct. These mutual goals enable corporate organizations to adequately align legal compliance with social responsibility, fostering stakeholder trust. Transparency and disclosure are the cornerstone principles owing to the essential disclosure of data associated with CSR initiatives, environmental and social activities and governance. This transparency mitigates the risk of negative stakeholder reactions and enhances corporate reputations.

This paper further proves that the most significant determinant of sustained ethical behavior is the provision of reporting mechanisms that are clear and unambiguous. However, the efficiency of these frameworks is reduced because the UAE has competing legal systems. Diverging legal systems, such as those in the DIFC, result in law enforcement and application inconsistencies, confusing firms with operations across various jurisdictions. To address this, a harmonized regulatory approach is recommended to enhance consistency, reduce complexity and improve enforcement.

The synergies between CSR and CG further emphasize the need for a unified legislative framework. CSR and CG provisions remain fragmented, with CSR laws such as the CCL and regulations focusing solely on CSR initiatives. To achieve better alignment, the UAE should expand CSR provisions within the CCL or amend CSR legislation to mandate reporting on financial crime prevention. Such an approach would help synchronize best practices across businesses, improve ethical governance and enhance corporate contributions to society.

In addition, the UAE's AML Law supports CSR because it enhances financial transparency and ethical conduct in the fight against financial crimes. However, the AML law does not capture some of the CG principles, such as board oversight and executive accountability, nor does it include critical disclosure, such as beneficial ownership and politically exposed persons. These gaps conflict with CSR objectives. Clearer guidelines are necessary to improve the standards of transparency and accountability with regard to CSR.

While the AML Law remains a key tool for combating financial crimes, its fragmented application across CG and CSR frameworks limits its effectiveness. A coherent integration of CSR and CG principles into a unified regulatory set is essential to optimizing synergies between the two. This paper concludes that, despite the UAE's evolving CSR provisions, further enhancements to these frameworks—through alignment with global CSR standards and increased legal clarity—will be crucial in establishing a robust and effective CSR regulatory framework.

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