



Global Compact Network South Africa

Corporate Social Responsibility and the United Nations Global Compact in South Africa 2007



Human Rights
Labour Environment and
Anti-Corruption



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TABLE OF CONTENTS

Forewords	i
Executive summary	ii
Background to this report	iii

1 Overview of the South African policy context and CSR landscape	1
Overview of the socio-economic and policy context	1
Overview of the South African CSR landscape	7
A brief historical review of CSR in South Africa	7
CSR and Government legislation	10
SR Performance and Reporting: Leading South African companies	17
2 The UN Global Compact in South Africa	22
The Global Compact in South Africa: A brief history	22
South African participants of the UNGC	22
Activities and achievements of the UNGC South Africa network	22
The UNGC in South African and the further development of CSR	23
Assessment of the prominence and impact of the UNGC	23
The UNGC and the further development of CSR in South Africa	24
Concluding comment	25

List of boxes

Box 1: South Africa's development challenges, 1994-2004	2
Box 2: Environmental challenges in South Africa	3
Box 3: The South African Political Context	3
Box 4: South Africa's Socio-Economic Context	4
Box 5: South Africa's Position on the Corruption Perception Index	5
Box 6: South Africa – Key Economic Data	6
Box 7: Codes of Good Practice for Broad-Based Black Economic Empowerment	9
Box 8: International and African CSR-related organisations	14
Box 9: National organisations of relevance to CSR	15
Box 10: National CSR-related initiatives	17
Box 11: SA companies on the Dow Jones Sustainability World Index	18
Box 12: Top companies on the JSE SRI Index (25 April 2006)	18
Box 13: Results of SA sustainability reporting awards	20
Box 14: Four trends influencing the business case for corporate sustainability	20
Box 15: Recommended Activities of the Global Compact Networks	23

List of tables

Table 1: Selected examples of national legislation of pertinence to CSR in South Africa	10
Table 2: Selected International and African CSR initiatives	12
Table 3: "Accountability" ranking of SA listed companies	19

Foreword

The significant achievement of the Global Compact in mobilising business leaders to internalise its ten principles represents a global movement towards mainstreaming corporate responsibility. It is something that has developed rapidly over the last few years, to the point where we are beginning to see the emergence of a fundamental shift in the way business is done.

South Africa has experienced a similar evolution, particularly amongst the country's major listed companies. However, despite important progress the private sector continues to experience a credibility deficit. There are some legitimate examples of where this perception is fair, but on the whole the South African private sector has demonstrated world class leadership on sustainable development and corporate social responsibility.

The National Business Initiative (NBI) is a voluntary coalition of 140 member companies committed to shared growth and sustainable development in South Africa. Since 1995, the organisation has devoted itself to channelling collective business resources into important sustainable development focus areas such as skills development, education, enterprise development and more recently environmental concerns such as energy efficiency and climate change.

Underpinning this work is the belief that business is a critical partner to government in its efforts to realize the fundamental socio-economic rights of its citizens, as well as our unique Constitutional right to a healthy environment.

In 2007, the NBI accepted with much excitement the role of focal point to the Global Compact in South Africa and is committed to using the platform to enhance the business contribution to society and our environment.

André Fourie
Chief Executive, National Business Initiative



Foreword

The role of business in society has come under increased scrutiny over the last decade. What exactly are the responsibilities of companies in a globalised world? Societies will have to identify their own definition of corporate citizenship, their own expectations of roles and responsibilities of their different societal partners. Societies will also have to introduce policies, strategies and instruments that help set change in motion.

Governments, through their legislative and convening powers, play an important role in this process. Their function is to secure the interests of the public, while maintaining a positive business climate and level the playing field. Yet innovation, best practice and new benchmarks often stem from voluntary private sector initiatives which, in collaboration with other stakeholders, take corporate responsibility beyond regulation.

The private sector has recognised the value and necessity of working towards sustainable development. Voluntary corporate social responsibility initiatives have mushroomed throughout the world. Some initiatives aim to create new standards and labels, while others look at reducing a particular sector's environmental impact. Others focus on fighting child labour, promoting black economic empowerment and combating HIV/AIDS in the supply chain.



The UN has, through the UN Global Compact, mobilized nearly 5,000 companies world-wide to embrace ten principles in the field of human rights, labour rights, the environment and anti-corruption.

In Africa, the Global Compact has networks in ten countries including South Africa. These networks are supported by the Global Compact Regional Learning Forum based in Pretoria.

The Regional Learning Forum is conducting an impact assessment of voluntary initiatives in Africa which aims to assess what these various initiatives achieve and what their contributions to society are. In a first phase, amongst other studies, three country desk studies aimed at providing an overview of the state of corporate citizenship in each country have been written.

This publication reflects the major findings of the desk study of South Africa. It shares an elaborate overview of corporate citizenship in South Africa – a must-read for all people working in the field of corporate citizenship locally.

My deepest appreciation goes to Hermien Botes of the National Business Initiative, two renowned researchers: Ralph Hamann and Jonathon Hanks, and their colleague Vanessa Sayers who worked endless hours and invested their expertise to develop this report. I would also like to thank the Foreign Commonwealth Office (FCO) and the German development agency GTZ (Gesellschaft für technische Zusammenarbeit), who, through the German Ministry for Economic Cooperation and Development, sponsored the study and the development of this report.

It is my sincere hope that this report will contribute to the dialogue on the role of the private sector in South Africa.

Ellen Kallinowsky
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Executive Summary

South African context and CSR landscape

In South Africa, the context and definition of corporate social responsibility (CSR) has been significantly influenced by the legacy of colonialism and apartheid, with big business having been implicated in this history in both negative and positive ways. Due to this complex history, the notion of CSR is particularly multi-faceted for business in South Africa. An important implication of this history is that big business, in particular, is often faced with significant distrust from civil society organisations.

South Africa's historical legacy includes racially skewed participation and ownership of the economy, structural unemployment, widespread poverty, and low levels of education and training. Such factors have also contributed to significant health challenges, foremost of which is the HIV/AIDS epidemic.

Although these challenges are not unique to South Africa, the country's history has given them a particular character and severity that shapes the definition and implementation of CSR-related activities. Hence, debates related to CSR in South Africa are characterised by the prominence of certain national priority issues, such as transformation and affirmative action, education, skills development and HIV/AIDS. In South Africa, government plays a more proactive role in influencing the social role of business than in most other countries.

Some of the country's socio-economic challenges also affect

companies directly, and enlightened self-interest informs companies' responses. A prominent example is HIV/AIDS. Many large companies have realised that comprehensive, targeted efforts are necessary to reduce and mitigate for the effect of the epidemic on their workforce.

Behind some of these particular socio-economic challenges, lie some important potential business opportunities. This gives CSR in South Africa a particular flavour, even though the label CSR might not be applied to some of these initiatives. One example is the recent effort by financial institutions to extend access to financial services among the poor, the main incentive for this being to grow the market and to respond to state and civil society pressure.

The historically dominant conception of CSR has been in terms of corporate social investment (CSI) or philanthropic initiatives in education, health, or welfare at the national or local level. Total company expenditure in these areas in the financial year 2003/2004 was estimated at about ZAR2.4 billion. Most importantly, CSI is easily criticised for its "add-on" nature, without much influence on companies' core business.

Since around 1992, at the time of the Rio Earth Summit, a broader view of CSR has been emerging in connection with the international discourse on sustainable development. The corporate response to the broader sustainability agenda in South Africa was promoted in the mid 1990s following the reinvestment in this country of certain multinationals, as well as the movement abroad of the primary listings of several large South African companies. Commonly cited reasons for this increased leadership role are the stringent risk management guidelines of major stock exchanges, as well as greater scrutiny by large institutional investors and international NGOs. The role of investors in pushing CSR has become more prominent in the wake of dedicated CSR indices on major stock exchanges.

Arguably a select number of South African-based companies have been playing a leadership role in terms of broader social management issues and sustainability reporting. Generally, however, these activities are limited to larger, prominent companies that are either publicly listed or partly state-owned.

Parallel to the CSR indices on major stock exchanges, the international drivers also include a growing range of guidelines and standards such as the ISO 14000 series. Another significant development in the local CSR landscape was the publication of the King II code that has been adopted, in part, by the JSE Securities Exchange as a listing requirement. A further important development relates to the role of investors in pushing the CSR agenda, as is seen with the JSE's Socially Responsible Investment Index.

The evolving definition of CSR in South Africa has recently been significantly influenced by the state-led initiatives relating



to black economic empowerment (BEE). The aim of these initiatives is to redress the racial imbalances resulting from apartheid. South Africa's CSR agenda is increasingly being defined by the extent to which BEE will benefit the poor, which will depend not only on the state, but also on companies' interpretation of BEE.

Notwithstanding the common assumption that CSR is primarily about voluntary initiatives, national legislation plays a crucial role in the development of South Africa's CSR agenda. One of the possible reasons for this may be the fact that South Africa has gone further than most other states to legislate on social issues. Furthermore, there is often a significant gap between stated policy and its implementation, with compliance in some instances becoming an issue of business voluntarism.

The South African State has embarked on an ambitious law reform programme since the inception of the country's democratic dispensation in 1994. There have been numerous legislative developments that are pertinent in shaping the country's CSR landscape with an understandable focus on socio-economic priorities. Other drivers include labour; occupational safety and health matters; governance and transparency; stakeholder engagement; community development and environmental considerations. Corporate social responsibility however does not constitute a dedicated focus area within government.

The four trends detailed below are increasing the importance of CSR as a strategic priority within companies both locally and internationally:

1. Tightening global and domestic regulatory pressures and growing voluntary measures.
2. Growing stakeholder expectations for greater accountability.
3. Impact of resource pressures on corporate activity.
4. Growing appreciation of the financial returns for integrating sustainability principles.

The Global Compact in South Africa: A brief history

Generally there was agreement from interviewees that internationally the UNGC is an important initiative and enjoys some prominence in the CSR debate. It is also seen as having had some success in providing a platform for dialogue within business and between business and other stakeholders, with the convening capacity of the UN seen to be particularly significant. Notwithstanding these various important benefits, some are critical of the initiative due to its emphasis on corporate self-regulation.

In South Africa the UNGC is seen to have a much lower prominence than it does internationally and its impact is considered low by most interviewees. In 2000, a number of South African

companies joined the UN Global Compact voluntarily, although the up-take thereafter remained slow and network activities erratic. Some of the reasons included for this were the multitude of existing international and South African initiatives relating to CSR and the fact that the principles are generally entrenched in the South African Constitution and in related legislation. As at March 2007, 21 South African organisations, including 16 companies, had signed up to the initiative.

In 2007 the National Business Initiative (NBI) took over the reins as the focal point of the Global Compact in South Africa, with the active support of Business Unity South Africa (BUSA) and a number of committed Global Compact signatories. One of the first activities of the new focal point will be the creation of a multi-stakeholder Advisory Committee.

The NBI has set itself three initial targets: to increase the level of business participation in particular; to increase the number and depth of Communications on Progress; and to raise awareness of, and promote meaningful commitment to, the Global Compact in South Africa. The primary mechanism for achieving these objectives will be by hosting a series of focused events.

Background to the report

The UN Global Compact

Following his address to the World Economic Forum on 31 January 1999, in which former Secretary-General of the United Nations (UN), Kofi Annan, challenged business leaders to form a Global Compact with the aim of providing “a human face to globalisation”, the UN Global Compact (UNGC) was formally established at UN Headquarters in New York on 26 July 2000. Thousands of companies, international labour and civil society organizations are now engaged in the Global Compact, working to advance its ten universal principles in the areas of human rights, labour, the environment and anti-corruption.

Using the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. The Global Compact is a purely voluntary initiative with two principal objectives: mainstreaming the ten principles in business activities around the world, and catalysing actions in support of UN goals.

The Global Compact Learning Forum is one of four core areas of operation of the UNGC.

Goal of this Study

This study forms part of the regular internal monitoring by the

UNGC Regional Learning Forum of its own impacts within the landscape of corporate social responsibility initiatives. This report is a qualitative study based on primary and secondary sources and on interviews with a selection of key players in the UNGC and CSR more generally, including the UNGC focal point for South Africa, key stakeholders in the UNGC process and a sample of NGOs and researchers. This study forms one part of the monitoring approach of the Regional Learning Forum, and is supplemented by case studies and a separate survey coordinated by the UNGC focal point for South Africa.

Report Structure

The report consists of two parts:

Part 1 provides some background information on the socio-economic, legal, and political context of South Africa, before briefly reviewing the CSR landscape in the country, noting key elements of its history, outlining important initiatives and institutions, and identifying some of the leading CSR companies (as suggested on the basis of rating indices, awards and independent research).

Part 2 focuses in more depth on the development of the Global Compact in South Africa. It reviews its history, activities and achievements, provides a general assessment of its impact, and identifies some factors that may influence the further development of CSR and the role of the UNGC in the country.



Georg Kell, Executive Head of the United Nations Global Compact.

PART 1 Overview of the South African policy context and CSR landscape

Overview of the socio-economic and policy context

This introductory section provides an overview of the socio-economic and policy context in South Africa and provides the context for the subsequent review of the status of corporate responsibility in South Africa and for the more detailed assessment of the implementation of the UN Global Compact in the country. In providing this review, the section draws heavily on some of the key elements contained in technical reports compiled for the South African response to the African Peer Review Mechanism (APRM). These inputs are particularly valuable in that they are based on detailed current research that included a credible stakeholder review process and thus some valuable perceptions on key issues. Information is also drawn from the government's recently released Strategic Framework for Sustainable Development in South Africa, which contains some useful insights on current key challenges, and that is also the outcome of a broadly consultative process.

To facilitate reading and reference, the section is composed of a series of boxes that provide a brief overview of each of the main issues:

Box 1 identifies the **key development challenges** facing South Africa in the decade since the first free elections in 1994. It is clear from this overview that despite some advances – partic-

ularly in terms of the service delivery of water and electricity – poverty and its related challenges remain significant in South Africa. In some instances, poverty is even increasing, especially due to very high levels of unemployment. This unemployment has a particularly severe effect in South Africa in comparison to other southern African countries, largely as a result of the relatively small subsistence agriculture and informal economy as a result of historical factors.

Box 2 provides an overview of some of the principal **environmental challenges** facing South Africa. This review, which draws from the recent Strategic Framework for Sustainable Development in South Africa, highlights a number of key challenges including: significant impacts associated with climate change; the lack of important arterial rivers, lakes or groundwater, with growth in water usage outpacing supply; the pollution of rivers and coastal areas from agricultural runoff and urban discharge; and increasing air pollution and soil erosion. It is evident that the country's natural resource base is under pressure and that some significant thresholds are now being reached. There are few signs that economic growth is being decoupled from unsustainable natural resource use. If this is not addressed it will have significant implications for the ability to promote economic growth and poverty eradication in the country.

Box 3 focuses on the **political context in South Africa**. The review is based on extracts from the African Peer Review Mechanism (APRM) technical report on Democracy and Good Political Governance prepared on the basis of a comprehensive stakeholder engagement process. The review shows general agreement that the South African governance framework has provided important successes since 1994, including a well-respected Constitution and progressive laws and policies.¹ There is, however, a widely recognised challenge in the implementation of these laws and policies, with the capacity of state institutions at all levels of government being constrained by limited human resources and management skills, amongst others.

Box 4 provides an overview of the **socio-economic landscape**, with an emphasis on government policies and practices. This brief review is based on extracts from the APRM technical report on Economic Governance and Management. This review highlights the fact that, on the one hand, the South African government is internationally credited for its prudent macro-economic policies, which have kept inflation relatively low, allowed for steady (albeit modest) economic growth, and contributed to a growing government budget. On the other hand, these policies have not been able to provide significant benefits to the poor in South Africa, or those in the so-called "second economy", with few effective linkages to the formal, globalised economy.



1. Table 1 provides an overview of South African legislation with particular relevance to CSR

One of the most obvious beneficiaries of these policies has been the corporate sector, which has posted significant profits in recent years. The review also suggests diverse interpretations of policy priorities: the business sector emphasises the burden of regulations, especially in the labour market, and perceived high taxes, whereas labour is concerned with a perceived policy emphasis on the needs of business, low taxation, and a conservative macro-economic framework.

Box 5 provides summary data on South Africa's **key economic factors**, briefly covering such issues as economic growth, GDP, key business sectors, trade information and so on. Key constraints that may impede the country's economic growth objectives include: the strength and volatility of the rand; internationally uncompetitive wage costs (yet workers face high living costs); infrastructure backlogs; a shortage in professional and technical skills; a weak capacity in industrial research and development, and technology support; the negative impacts of persistent poverty and inequality; and the continuing depletion of the natural resource base on which economic growth depends.²

Box 1: South Africa's development challenges, 1994-2004³

Poverty: In 1994, an estimated 17 million South Africans were living in poverty, corresponding to between 35 and 40% of the total population (depending on the measures used). Ten years later, it is estimated that between 45 and 55% are living in poverty, an increase both in absolute numbers and proportion since 1994. This statistic has been one of the most forceful arguments against the government's macro-economic policies during the late 1990s and early parts of this decade, though defenders of these policies argue that they have warded off what would have been worse conditions.

Unemployment: In 2002 the official rate of unemployment was 31%. This represents a significant increase from the official rate of 20% in 1996. In terms of the expanded definition of unemployment, which includes those of working age who have given up looking for work, 42% were unemployed in 2002. Furthermore, an estimated one in five of the employed work in the informal sector, which often involves low and haphazard income. Unemployment is highest among black South Africans, with estimates ranging from 39 to 49%.

Housing and basic services: In 1994, there was an estimated backlog of at least three million houses, mostly in urban areas, and demand increases by about 200,000 every year. At the same time, about 12 million lacked access to water and 21 million lacked sanitation services. Despite the state's significant progress in providing houses, the number of informal dwellings doubled to 1.3 million between 1995 and 1999, and in 2000, the housing shortage was still between three and four million units. Likewise, despite progress in water and sanitation provision, 40% of non-urban households had no access to water in 1999.

Economic and racial inequality: South Africa has one of the most unequal distributions of wealth in the world. In 1996, its Gini coefficient was estimated at 0.69, in comparison to an average of 0.43 for industrialised countries. While the richest 10% of the population own about 53% of the nation's wealth, the bottom 10% own just 1.4%. A defining characteristic of this is racial inequality. During South Africa's democratic transition, 5% of the population – mostly whites – owned 88% of the nation's wealth. Whites owned 87% of the land surface and 91% of all business franchises. Four white-owned corporations controlled 81% of share capital. Since 1994, inter-racial inequality has diminished, while intra-racial inequality has increased: the Gini coefficient among black South Africans increased from 0.62 to 0.66. Racial inequality is compounded by significant gender and geographic inequality, with rural women being consistently the worst off according to a range of indicators. Although less than 50% of South Africans live in rural areas, 70% of poor are rural inhabitants. There are also high disparities between the provinces, with the proportion of poor people in the Western Cape and Gauteng being 30%, but 75% in Limpopo and the Eastern Cape.

HIV/AIDS: HIV prevalence among women attending antenatal clinics increased from 1% in 1990 to 25% in 2001, translating into an estimated infection rate of one in five adults. Here too women are disproportionately affected, and there are also significant provincial disparities: the prevalence rate is about 34% in Kwazulu-Natal and 9% in the Western Cape (though the highest rate of increase is in the latter).

South Africa has committed itself to meeting the targets of the **UN Millennium Development Goals** (see Appendix 2). While valuable progress has been made towards meeting many of these targets, persistent problems and slow advancement has been noted in particular in the following areas:

- Halving the proportion of people who suffer from hunger;
- Reducing child mortality;
- Reversing the spread of HIV and AIDS, malaria and TB;
- Eradicating informal settlements; and
- Reducing levels of youth unemployment.

Positive trends include increased access to primary schooling, eliminating gender inequalities linked to access to education, reducing the maternal mortality rate and increasing access to water.

2. *The Strategic Framework for Sustainable Development in South Africa*

3. This box is adapted from van Donk, M. and Pieterse, E. (2004), and also draws on elements in the *Strategic Framework for Sustainable Development in South Africa*

Box 2: Environmental challenges in South Africa⁴

Climate change: Although a developing country, South Africa has an extremely high carbon emission level per unit of GDP compared to the rest of the world. Key threats associated with climate change in South Africa include: increased water-stress in an already dry country; decreases in maize and wheat production; enlargement of the area prone to malaria and other insect-carried diseases; decreased fish stocks; and increased biodiversity loss. Potential opportunities include: investments in new energy technology; harnessing the clean development mechanism (CDM); and developing technologies, products and processes to assist with mitigation and adaptation.

Water and sanitation: South Africa is a water-stressed area that lacks significant groundwater resources. With a 6% economic growth rate, and continuing inefficiencies, it is estimated that by 2025 total demand will exceed the country's maximum potential yield of water. There are also concerns relating to the quality of the existing water supply, which is deemed to have deteriorated since 1999.

Solid waste: In 2005, the solid waste system managed the disposal of 20 million tonnes (Mt) of municipal solid waste, 450Mt of mining related waste and 40Mt of power station ash. In some municipalities residential waste is above 2kg per person per day, which is three to four times the quantity of most European households. In many areas the generation of municipal solid waste is growing faster than the economy, and faster than the capacity to find acceptable waste disposal solutions.

Soils: South Africa generally has shallow sandy soils with significant inherent limitations in terms of agricultural productivity. Using the international norm of 0.4 hectares of arable land to feed a person, then South Africa's 14 million hectares would feed at most 35 million people. The result is that we tend to overexploit our soils causing soil degradation, which is a significant threat to food security and land reform, and in turn to achieving the goals of the shared and accelerated growth programme.

Biodiversity: South Africa is the third most bio-diverse country in the world. Currently some 34% of the country's terrestrial ecosystems are categorised as threatened mainly as a result of agriculture, urban sprawl, mining and invasion by alien species. Around 82% of river eco-systems are classified as threatened, 50% of wetlands have been destroyed and 36% of freshwater fish are threatened. Climate change presents the most significant future threat to biodiversity.

Air quality: Air quality is reported to have declined generally throughout the country, with an increase in sulphur dioxide and particulate levels. It is anticipated there will be an increase in pollution related health problems by 20% over the next decade. One of the contributing factors is road transport; the number of vehicles on the country's road is currently

increasing by 2% per annum.

Coastal and marine resources: Sea temperatures off the coast of Southern Africa are reported to have increased by 0.25°C per decade over the last four decades, with potentially significant consequences for the subsistence and small-scale fishing sectors. Currently around 40% of the country's population lives within 100km of the coast, posing significant threats to the sustainability of resources in the coastal zone.

South Africa's rating on the Yale Environmental Sustainability Index⁵

This index benchmarks the ability of nations to protect their environment in the coming decades, and includes issues related to human vulnerability. The index is constructed from 76 data sets that are translated into 21 indicators of environmental sustainability. These indicators permit comparison across a range of issues that fall into the following five broad categories:

- Environmental systems;
- Reducing environmental stresses;
- Reducing human vulnerability to environmental stresses;
- Societal and institutional capacity to respond to environmental challenges; and
- Global stewardship.

South Africa scored 0.15 on Environmental Governance, with the average value for its peer group being 0.12. Overall South Africa received a rank of 93 but was ranked 46th for governance alone. Interestingly, the governance ranking of our neighbouring countries was as follows: Botswana 17th, Namibia 57th, Zimbabwe 103rd, and Mozambique 106th.

Box 3: The South African Political Context

The following summary of the South African political contest is drawn from the technical report on Democracy and Good Political Governance that was compiled for the South African response to the African Peer Review Mechanism (APRM).⁶

Prevention and reduction of intra- and inter-state conflicts

- Stakeholders generally agree that South Africa's international and regional relations since 1994 have been peaceful. South Africa's foreign policy is characterised by a concerted effort to resolve and prevent regional conflicts. Levels of internal conflict are deemed low, although stakeholders noted concerns regarding recent local protests over service delivery, crime and issues surrounding illegal immigration.

Constitutional democracy, including periodic political competition and opportunity for choice, the rule of law, citizen rights and supremacy of the Constitution

4. This draws on elements in the Strategic Framework for Sustainable Development in South Africa (29 September 2006) 5. 2005 Environmental Sustainability Index (ESI) (2005), 2005 Environmental Sustainability Index – Benchmarking National Environmental Stewardship, Yale Centre for Environmental Law & Policy, <http://www.yale.edu/esi>. 6. Idasa, 2006, "South African APRM Technical Report for Thematic Area 1: Democracy & Good Political Governance", WWW document available via http://www.aprm.org.za/docs/submissions/technical_report_idasa.doc

- There is general agreement that the political system as practiced in South Africa allows for free competition for power and the promotion of democratic governance. Despite this, stakeholders have identified concerns relating to the realisation of certain rights, citizen participation in government processes and certain electoral provisions.
- South Africa is a unitary state with features of both centralisation and decentralisation. Government in South Africa is divided into three spheres: national, provincial and local, each with its own responsibilities and powers. Stakeholders appear to agree that this arrangement has served to promote a responsive government. However extensive challenges remain relating capacity and accountability in decentralised institutions.

Promotion and protection of economic, social and cultural rights, civil and political rights as enshrined in African and international human rights instruments

- The constitutional, legislative and institutional framework for the protection and promotion of political, economic, social and cultural rights is generally regarded as comprehensive. Despite these provisions, and the reported progress in realising certain rights, stakeholders have noted considerable challenges. With respect to the judicial process, equal access to justice is protected and promoted by the Constitution and a range of specialised services and instruments.

Uphold the separation of powers including the protection of the independence of the judiciary and of an effective legal system

- There is consensus that the development and general application of the post-apartheid constitutional and legislative infrastructure has been in keeping with the principle of the separation of powers. Parliament is credited with overturning the apartheid statute books and introducing over 900 laws in the past ten years. The judiciary has gained international recognition with landmark judgments in a number of human rights matters. However, stakeholders have expressed concern that weaknesses in parliamentary oversight (especially in certain controversial matters), and the re-organisation and transformation of the court system in particular, have presented or may present threats to democracy. Lack of capacity and resources are also identified as inhibiting the operation of the legislative and judicial branches.

Ensure accountable, efficient and effective public office holders and civil servants

- Stakeholders agree that since 1994 considerable progress has been made in aligning the public service with constitutional requirements. Guided by the Constitution, the government has undertaken a wide range of policy, legislative and administrative reforms designed to integrate and improve the efficiency of the public service, including specific measures to enhance policy coordination, public participation and human resources management. Despite

such initiatives, weaknesses in implementation and service delivery, especially at provincial and local levels, have been identified.

Fighting corruption in the political sphere

- Public sector corruption appears to be a serious concern in South Africa although levels and perceptions of corruption vary depending on the sphere and division of the administration. In combating corruption, the South African government has, in collaboration with other stakeholders, developed what is generally considered a comprehensive institutional and regulatory framework. Despite the development and impact of anti-corruption measures, however, stakeholders have pointed to various shortcomings both in implementation and in the framework itself, as well as problems with capacity and a lack of coordination.

Box 4: South Africa's Socio-Economic Context

The following brief review of South Africa's socio-economic context is based on extracts from the technical report on Economic Governance and Management compiled for the South African response to the African Peer Review Mechanism (APRM).⁷

To what extent is South Africa's macroeconomic policy framework sound and supportive of sustainable economic development?

- The APRM submissions reflected broad agreement that the South African government (and in particular the National Treasury) has done an excellent job to stabilise the precarious economy inherited in 1994, turning it from its stagnant position in the post-sanctions era to one of sustained (if relatively) low growth.
- The reports from parliament, government, business and civil society converge on the key challenges facing the economy: high unemployment, and the unevenly distributed benefits of growth, which is steady but not at the 6-8% level needed to significantly erode poverty.
- Despite rocketing global oil prices, inflation has been kept in check for the last four years by the inflation targeting policy. Most analysts see it remaining in the target 3-6% band in coming years.
- The Presidency outlined the concept of the "two economies" – the first developed, formal and prosperous, the second underdeveloped, informal and survivalist.
- Government's newly unveiled strategy, the Accelerated Shared Growth Initiative for South Africa (Asgi-SA) is outlined in submissions from government. Stakeholders appear universally supportive of this plan to remove obstacles to enhance growth and spread its benefits more widely, but some offer cautions.

7. South African Institute of International Affairs, 2006, "South African APRM Technical Report for Thematic Area 2: Economic Governance and Management", WWW document available via http://www.aprm.org.za/docs/submissions/technical_SAIIA_summary.doc

- Submissions praised the efficiency of the South African Revenue Service (SARS) in collecting taxes. Amounts collected consistently exceed expectations by millions of Rands annually.
- Some have questioned the logic of inflation targeting in a developing economy, while others have criticised the narrow range and the sharp focus on inflation as opposed to other economic variables, most notably the exchange rate.
- In terms of South Africa's conservative fiscal and monetary policy, there was debate – particularly from the left and the business sector – about the optimal size of the deficit, the amounts dedicated to spending on social services, and the extent to which the Reconstruction and Development Programme (RDP) has been supported or abandoned since 1994. The Congress of South African Trade Unions (COSATU)⁸ was particularly strident in calling for rapidly accelerated social spending, financed through taxes and deficit spending.

On what basis does the government formulate macro-economic projections?

- There was broad agreement that government follows rational, sensible and fairly transparent procedures in formulating the country's macroeconomic projections. The opinions of experts such as economists and researchers are regularly solicited and utilised, and the projections are in the main accurate. Some stakeholders, including some provinces such as North West, believe that broader civil society and citizens in rural areas should play a greater role in economic policy-making, highlighting a strong urban elitist bias in the current process.
- The South African National NGO Coalition (SANGOCO)⁹ and the Human Sciences Research Council (HSRC)¹⁰ drew attention to the tendency in government to disbelieve statistics that seemed to contradict expected policy outcomes.

What sectoral and microeconomic policies has South Africa developed and implemented to promote economic growth and sustainable development?

- National sectoral and microeconomic policies are well articulated and publicised by government. Annual and medium-term budget documentation outlines these policies and allocates resources accordingly. Government inputs to this report identified the major economic policies geared towards promoting growth and sustainable development as increased infrastructure investment, reducing the cost of doing business, boosting education and skills, land reform, broad-based black economic empowerment and improving public service delivery levels.
- Submissions universally agreed that the growth that South Africa has experienced has not benefited all citizens. The disability, youth, and gay and lesbian sector submissions

noted economic problems with direct bearing on their constituencies.

- Business and government concurred that the regulatory cost burden on companies is too high, and particularly onerous on small and medium-sized firms. They both recommended the introduction of regulatory impact assessments, but business is more assertive in wanting this instrument applied retroactively to existing laws and policies.
- The level and efficacy of the various social grant delivery programmes was debated. Civil society stakeholders such as COSATU, the Black Sash and SANGOCO are vocal about the harsh day-to-day conditions the poor continue to experience, in spite of the grants they receive.
- While the National Treasury stated that unemployment is falling slowly from high levels, and the Presidency outlines the progress of the Expanded Public Works Programme, the same civil society groups and others strongly attack these assertions. They are highly critical of the decision to abandon the "expanded" definition of unemployment in national figures. Business sources highlighted the "over-regulation" of the labour market and inflexible labour laws as disincentives to investment and growth.
- There were marked differences in the approach to taxation by business and organised labour, with the former arguing that taxes are too high to stimulate the economy sufficiently, and the latter arguing they are too low given the service delivery backlogs and social needs.

What has been done to make the public administration, legislative system and fiscal authorities work effectively and in a transparent manner?

- Submissions lauded the National Treasury for successfully implementing needed reforms to the fiscal system after 1994, with the major steps being: a new intergovernmental fiscal relations system, multi-year budgeting through the Medium-Term Expenditure Framework (MTEF), new budgeting formats focusing on spending analysis and service delivery information, and the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA).
- Civil society stakeholders across the spectrum – including the African Institute of Corporate Citizenship (AICC), the South African National Civil Society Organisation (SANCO), SANGOCO, BUSA, Chamsa, COSATU, youth, the disability sector, older persons and some provinces – were critical of the quality and frequency of their engagement with government on policy-making. They raised the point that they are often presented with a *fait accompli* with little room for substantive input. Government departments and parliament, in contrast, tended to hold the view that they were extremely consultative, and compared to apartheid-

8. COSATU is a confederation of 21 trade unions, with a combined membership of just over 1,8 million. It is a partner in the Tripartite Alliance together with the African National Congress and the South African Communist Party. 9. SANGOCO, an umbrella body of NGOs, was formed in 1995 to coordinate NGO input into Government policy. 10. The HSRC is a statutory body established in 1968 that conducts large-scale, policy-relevant research projects for public-sector users, NGOs and international development agencies, in partnership with researchers globally, but specifically in Africa.

era institutions, this is indeed true. This is one of the most important issues to emerge from the APRM process and should be urgently addressed.

has since been losing its position on the scale. This is reflected in South Africa's overall rank that moved from position 32 in 1998 to 45 in 2005 and 51 in 2006 – showing an increase in corruption on the TI index. In 2006 South Africa's score was 4.6, placing it 51st on the list. It was ranked 3rd in Africa behind Botswana (37th) and Mauritius (42nd).

Box 5: South Africa's Position on the Corruption Perception Index¹¹

The tenth UNGC principle relates to corruption. Transparency International (TI), an international coalition of civil society, businesses and governments committed to combating corruption, provides a useful indicator of the level of corruption in a country. A central principle in their efforts to combat corruption is to promote access to information. In TI's annual Corruption Index, 106 countries out of 146 scored less than 5, with 0 being "highly corrupt" and 10 being "highly clean". Between 1998 and 2000, South Africa scored above 5, but

Box 6: South Africa – Key Economic Data¹²

Key economic indicators	
GDP (purchasing power parity)	\$576.4 billion (2006 est.)
GDP (official exchange rate)	\$200.5 billion (2006 est.)
GDP (real growth rate)	4.5% (2006 est.)
GDP (per capita)	\$13,000 (2006 est.)
GDP (composition by sector)	Agriculture (2.6%); industry (30.3%); services: (67.1%)
Inflation rate (consumer prices)	5% (2006 est.)
Investment (gross fixed)	17.1% of GDP (2006 est.)
Budget - revenues	\$72.15 billion
Budget - expenditures	\$75.93 billion (2006 est.)
Public debt	32.9% of GDP (2006 est.)
Current account balance	\$12.69 billion (2006 est.)
Demographics and Employment	
Population	44 million
Labour force	16.09 million economically active (2006 est.)
Labour force by occupation	Agriculture (30%); industry (25%); services (45% - 1999 est.)
Unemployment rate	25.5% (2006 est.)
Population below poverty line	50% (2000 est.)
Economic sectors	
Agriculture - products	Corn, wheat, sugarcane, fruits, vegetables; beef, poultry, mutton, wool, dairy
Industries	Mining (world's largest producer of platinum, gold, chromium), automobile assembly, metal-working, machinery, textiles, iron and steel, chemicals, fertilizer, foodstuffs, commercial ship repair
Industrial production growth rate	7.1% (2006 est.)
Energy	
Electricity - production	227.2 billion kWh (2004)
Electricity - consumption	207 billion kWh (2004)
Electricity - exports	12.4 billion kWh (2004)
Electricity - imports	8.026 billion kWh (2004)
Oil - production	229,900 bbl/day (2004 est.)
Oil - consumption	502,000 bbl/day (2004 est.)

11. Strategic Framework for Sustainable Development in South Africa (29 September 2006) 12. The economic data is derived from South Africa at a Glance and the World Factbook of the US Central Intelligence Agency.

Oil - exports	NA
Oil - imports	398,000 bbl/day (2006)
Oil - proved reserves	7.84 million bbl (1 January 2002)
Natural gas - production	2.23 billion cu m (2004 est.)
Natural gas - consumption	2.23 billion cu m (2004 est.)
Natural gas - exports	0 cu m (2004 est.)
Natural gas - imports	0 cu m (2004 est.)
Natural gas - proved reserves	28.32 million cu m (1 January 2005 est.)
Trade and aid	
Exports	\$59.15 billion f.o.b. (2006 est.)
Exports - commodities	Gold, diamonds, platinum, other metals and minerals, machinery and equipment
Exports - partners	Japan 9.9%, UK 9.7%, US 9.5%, Germany 6.5%, Netherlands 4.6% (2005)
Imports	\$61.53 billion f.o.b. (2006 est.)
Imports	Commodities: machinery and equipment, chemicals, petroleum products, scientific instruments, foodstuffs
Imports - partners	Germany 14.2%, China 9.1%, US 7.9%, Japan 6.8%, Canada 6.3%, UK 5.6%, France 4.5%, Iran 4.2% (2005)
Foreign exchange and gold reserves	\$23.74 billion (2006 est.)
Debt - external	\$55.47 billion (30 June 2006 est.)
Economic aid - recipient	\$487.5 million (2000)

Overview of the South African CSR landscape¹³

In South Africa, the context and definition of CSR has been significantly influenced by the legacy of colonialism and apartheid, with big business having been implicated in this history. Though there is much debate about the extent and manner of this involvement, it is clear, for instance, that mining companies played a role in initiating important aspects of the colonial and subsequent apartheid system, including rural land taxes and the migrant labour system.¹⁴ At the same time, some South African companies tried to ameliorate some of the worst elements of the apartheid state, and also played an important role in the transition to democracy. Due to this complex history, the notion of CSR is particularly multi-faceted for business in South Africa. An important implication of this history is that big business, in particular, is often faced with significant distrust from civil society organisations.

As identified in earlier sections of this report, South Africa's historical legacy includes racially skewed participation and ownership of the economy, structural unemployment, widespread poverty, and low levels of education and training. Such factors have also contributed to significant health challenges, foremost of which is the HIV/AIDS epidemic (see Box 1). Although these challenges are not unique to South Africa, the country's history has given them a particular character and severity that shapes the definition and implementation of CSR-related activities. To begin with, debates related to CSR in South Africa are characterised by the particular prominence of certain priority issues, such as affirmative action, skills development and HIV/AIDS.

Furthermore, the South African state has, since 1994, embarked on a transformation programme to redress some of the injustices of apartheid, and this has had important implications for business. In South Africa, government plays a more proactive role in influencing the social role of business than in most other countries. This will be described in more detail below.

Some of South Africa's socio-economic challenges also affect companies directly, and enlightened self-interest or even business survival informs companies' responses. A prominent example is HIV/AIDS. Many large companies, such as Anglo American or Eskom, have realised that comprehensive, targeted efforts are necessary to reduce and mitigate the effect of the epidemic on their workforce.

Behind some of these particular socio-economic challenges in South Africa, lie some important potential business opportunities. This gives CSR in South Africa a unique flavour, even though the label CSR might not be applied to some of these initiatives. One example is the recent effort by financial institutions to extend access to financial services to the poor, the main incentive for this being to grow the market and to respond to state and civil society pressure.

A brief historical review of CSR in South Africa

Internationally, the debate surrounding CSR has many of its origins in efforts to influence international companies operating in apartheid South Africa. This included business attempts to stave off calls for a total boycott, arguing that initiatives such as the Sullivan Principles (a list of principles for responsible business conduct targeted at US companies active in apartheid South

13. Note that much of this section is derived from African Institute of Corporate Citizenship, 2004, "Corporate Social Responsibility in South Africa: Implications for a Potential International Standards Organisation Management Standard," Johannesburg: AICC; and Hamann, R., Azagbue, T., Kapelus, P., Hein, A., 2005, "Universalising corporate social responsibility? South African challenges to the International Organization for Standardization's new social responsibility standard," *Business and Society Review*, 110(1): 1-19. These extracts were co-authored by a co-author of this report. Please do not quote from this section without permission from the authors of this report. 14. See, for instance, Truth and Reconciliation Commission of South Africa Report, 21 March, 2003.

Africa) would contribute to an eventual transition to a more just society.¹⁵

Some South African companies similarly found that the unjust policies of the apartheid state required special efforts from business. Hence, following the 1976 riots in Soweto, a number of South African companies formed the Urban Foundation as a means for business to ameliorate living conditions in black townships through infrastructure development and political lobbying. This was motivated by the concern that increasing violence would cause further instability in the national business environment. Such collective business efforts have remained important. The key organisation in this regard, and heir to the Urban Foundation and Consultative Business Movement, is the National Business Initiative (NBI).

The historically dominant conception of CSR has been in terms of CSI or philanthropic initiatives in education, health, or welfare at the national or local level. Total company expenditure in these areas in the financial year 2003/2004 was estimated at about ZAR2.4 billion.¹⁶ It is important to note, however, that there are some significant methodological challenges in such assessments. For instance, there is little agreement on what constitutes CSI (does it, for example, include sports sponsorship) and consequently there are no generally accepted accounting frameworks.

Most importantly, CSI is easily criticised for its “add-on” nature, without much influence on companies’ core business. This was especially the case during apartheid, when such philanthropic initiatives co-existed with obvious human rights violations. It is still problematic, considering that business practices are still informed by systems of production established under colonial or apartheid rule, such as the migrant labour system in mining.

The emerging broader view of CSR in South Africa

Since around 1992, at the time of the Earth Summit, a broader view of CSR has been emerging in connection with the international discourse on sustainable development and corporate citizenship. One of the symptoms of this changing context was the establishment in 1991 of the Industrial Environmental Forum of Southern Africa (IEF), a body initiated by Eskom that brought together business leaders (at CEO level) to critically review the strategic implications of the growing focus on environmental issues and sustainable development. In many respects this mirrored the activities of the International Chamber of Commerce (and its Business Charter for Sustainable Development, published in 1991), as well as the establishment of the World Business Council for Sustainable Development.

The corporate response to the broader sustainability agenda was further promoted in the mid 1990s following reinvestment in this country of certain multinationals, as well as the movement abroad of primary listings of several large South African companies, most notably to London. Commonly cited reasons for this increased leadership role are the stringent risk management guidelines of major stock exchanges (e.g. the Turnbull

guidelines in London), as well as greater scrutiny by large institutional investors and international NGOs. The role of investors in pushing CSR has become more prominent in the wake of dedicated CSR indices on major stock exchanges, such as the Dow Jones Sustainability Index and the FTSE4Good, and more recently the JSE SRI Index (see Boxes 11 and 12).

Arguably a select number of South African-based companies have been playing a leadership role in terms of broader social management issues (such as the management of HIV/AIDS), and in terms of corporate sustainability reporting in the developing country context. Generally, however, these activities are limited to larger, prominent companies that are either publicly listed or partly state-owned. There is also a marked difference between the sectors in that mining and petrochemical companies are generally leaders, followed by financial companies. Companies in the construction and retail sectors are generally not as proactive or comprehensive in their public reporting efforts.¹⁷

Parallel to the CSR indices on major stock exchanges, the international drivers also include a growing range of guidelines and standards. Table 2 provides a brief overview of some of the principal initiatives, with brief consideration of their impact in South Africa. Of particular interest is the ISO 14000 series, which has played an important role in South Africa. Many companies, especially those with international supply chain linkages or customers, have become ISO 14001 certified or are aspiring to get certification.

Another significant development in the local CSR landscape was the publication of the King II Code that has been adopted, in part, by the JSE Securities Exchange as a listing requirement. It makes many references to terms such as corporate citizenship and sustainability reporting, and includes specific reference to the recommendations of the Global Reporting Initiative.¹⁸ In general, the King II report takes an approach known as “comply or explain”, which means that companies should assess the guidelines and apply them judiciously in a manner that is appropriate to their context; if they choose not to comply with them, they should publicly explain why not. This is in contrast to a general compliance approach, which is seen as being too restrictive on companies, given their diverse circumstances and operating conditions.¹⁹

A further important development relates to the role of investors in pushing the CSR agenda. Though socially responsible investment is still largely “on the fringe of the mainstream investment market”²⁰ in South Africa, this is expected to change in the wake of the JSE’s Socially Responsible Investment (SRI) Index, which is meant to encourage “companies to truly embrace the triple bottom lines of environmental, economic and social sustainability.”²¹

The particular role of black economic empowerment

The evolving definition of CSR in South Africa has recently

15. The Sullivan Principles are still a prominent initiative, especially among US firms. This prominence is also based on reference to them by pension funds such as Calpers. For more information, see <http://www.thesullivanfoundation.org> 16. Trialogue (2005) *The Good Corporate Citizen*. Cape Town: Trialogue. 17. Eccles, N, Hamann, R and De Jongh, D (2007) *Corporate Accountability in South Africa: A sectoral evaluation*. Unpublished manuscript submitted to South African Business Review. See also *Financial Mail*, October 27, 2006. 18. King Committee on Corporate Governance (2002): 35. 19. Mervyn King, personal communication, Johannesburg September 2006. 20. AICC (2002): 21. JSE (2003): 2.

been significantly influenced by the state-led incentives relating to black economic empowerment (BEE). The aim of these initiatives – which encompass activities such as increased black ownership of the economy, employment equity, and support for rural and enterprise development programmes – is to redress the racial imbalances resulting from apartheid.²²

Critics of BEE have argued that it is primarily about the creation of a black elite, with little benefit to the poor and vulnerable. Defenders of BEE, and the state in particular, have however been at pains to describe BEE as “broad-based” and inclusive of issues pertaining to the needs and interests of the poor. South Africa’s CSR agenda is increasingly being defined by the extent to which BEE will, indeed, benefit the poor, rather than contribute only to a new elite. This will depend not only on the state, but also on companies’ interpretation of BEE.

One of the most prominent examples of this is the “Scorecard for the broad-based socio-economic empowerment charter for the South African mining industry,” according to which companies will be evaluated on issues including human resource development, employment equity, community development, employee housing, preferential procurement, and black ownership.²³ In many respects, this scorecard has been interpreted

as a negotiated definition of what CSR means in practice to the mining industry in South Africa.

Similar to the mining charter, sector specific charters have also been developed in other sectors, often on the initiative of industry. Nevertheless, the primary impetus for BEE has been from the state. However, the implementation of BEE will depend on varying circumstances in different sectors. In the mining sector, for instance, the state has a powerful influence on companies due to the link between BEE requirements and companies’ need for prospecting and mining licences.

Perhaps as a result, the state’s BEE requirements are the most powerful driver for recent CSR-related efforts among mining companies in South Africa.²⁴ Such a direct link is not available in the information technology (IT) sector, for instance. Likewise, SMMEs are less likely to feel BEE as significant an imperative than larger, more prominent companies.

An important recent development has been the approval of a “generic” BEE scorecard, which the government will use to measure progress made in achieving BEE in sectors where sector-specific BEE charters/scorecards haven’t yet been developed. The main points of the scorecard are summarised in Box 7.

Box 7: Codes of Good Practice for Broad-Based Black Economic Empowerment²⁵

Scorecard component	Focus areas
Ownership	This includes consideration (amongst other things) of the following issues: <ul style="list-style-type: none"> • The nature of the exercisable voting rights in the hands of black people • The nature of the economic interest of black people in the enterprise • The level of involvement of black people in ownership of the enterprise through employee ownership schemes, broad-based ownership schemes, and co-operatives
Management control	This includes consideration (amongst other things) of the following issues: <ul style="list-style-type: none"> • The nature of the exercisable voting rights of black board members • The number of black executive directors • The level of representation of black people in senior management • The number of black independent non-executive directors
Employment equity	This includes consideration (amongst other things) of the following issues: <ul style="list-style-type: none"> • The level of representation of black employees in senior, middle and junior management • The number of black disabled employees as a percentage of all employees
Skills development	This includes consideration (amongst other things) of the following issues: <ul style="list-style-type: none"> • The level of skills development expenditure on specified learning programmes for black employees • The number of black employees participating in defined learnerships as a percentage of total employees

22. BEECom (2001) 23. See <http://www.dme.gov.za/minerals/pdf/scorecard.pdf>. 24. Hamann (2004). 25. Department of Trade & Industry: General Notice 112 of 2007 Codes of Good Practice on Black Economic Empowerment Act (9 February 2007)

Preferential procurement	This includes consideration (amongst other things) of the following issues: <ul style="list-style-type: none"> • The level of B-BBEE procurement spend from all recognised B-BBEE suppliers as a percentage of total procurement spend • The level of B-BBEE procurement spend on suppliers that are 30% black-owned and suppliers that are 30% black women owned as a percentage of total procurement spend
Enterprise development	This includes consideration of the following issue: <ul style="list-style-type: none"> • The level of the average annual value of all enterprise development contributions and sector specific programmes made by the enterprise as a percentage of a defined target relating to profit and turnover
Socio-Economic development initiatives	This includes consideration of the following issue: <ul style="list-style-type: none"> • The level of the average annual value of all socio-economic development contributions made by the enterprise as a percentage of a defined target relating to profit and turnover

CSR and government legislation

Notwithstanding the common assumption that CSR is primarily about voluntary initiatives,²⁶ national legislation plays a crucial role in the development of South Africa's CSR agenda. One of the possible reasons for this may be the fact that South Africa has gone further than most other states to legislate on social issues as evidenced in particular, for example, by the legislation relating to black economic empowerment (reviewed earlier in this report).

Furthermore, there is a typically a significant gap between stated policy and its implementation, with compliance in some instances becoming an issue of business voluntarism. For instance, with reference to mines' environmental remediation trust funds, which are required by the 1991 Minerals Act (RSA, 1991), it has been argued that "companies could be cutting corners due to government capacity constraints, but they're not – so it is an issue of both obligation and responsibility."²⁷ Limited government capacity has also been identified as a potential driver for CSR in South Africa, in that businesses take on developmental or regulatory responsibilities because the state is not fulfilling them.

The South African State has embarked on an ambitious law reform programme since the inception of the country's democratic dispensation in 1994. Premised on a progressive Constitution, there have been numerous legislative developments that are pertinent in shaping the country's CSR landscape. Understandably the legislative terrain in South Africa is largely influenced by the socio-economic priorities that have arisen as a result of the country's political history, with a particular emphasis on trans-

formation strategies, HIV/AIDS and job creation. Other drivers include labour, occupational safety and health matters, governance and transparency, stakeholder engagement, community development and environmental considerations. A selection of laws pertaining to various aspects of CSR is presented in Table 1.

There are a number of interesting legislative developments that may have an important bearing on the nature and extent of CSR practices. These include for example the nature of the revision to the Company Act, as well as the nature of provisions relating to directors' liability for environmental damages, as included in the National Environmental Management Act and the Petroleum and Mineral Resources Development Act.

Other than its specific focus on broad-based black economic empowerment (BBBEE) – which has important ramifications for many aspects of CSR – it is arguable that corporate social responsibility does not constitute a discrete focus area within government. This is in contrast to a number of European countries – and the European Union itself – where there are various policy interventions specifically aimed at promoting corporate social responsibility practices. Various efforts to engage the Department of Trade and Industry and the Treasury on this issue, have generally been met with caution or even resistance. Thus far the government has expressed very limited interest in the development of the ISO 26000 Social Responsibility standard, which puts it at odds with many of the other country participants in this process.

Table 1: Selected examples of national legislation of pertinence to CSR in South Africa

Legislation	Overview and pertinence to CSR
Companies Act No. 61 of 1973 and Closed Corporations Act No. 69 of 1984	Contain various provisions regarding company registration and conduct, including directors' fiduciary duties. They also include the potential for 'lifting the corporate veil' and adjudicating personal liability for directors (particularly section 424 of the Companies Act), though this has been criticised as being difficult to implement. ²⁸ Note that the Companies Act is currently undergoing revision.

26. E.g.: European Commission (2001) 27. Personal interview – John Kilani (then at the Chamber of Mines), Johannesburg, 14 November 2001. 28. See King Committee on Corporate Governance (2002) op. cit. 29. Similar laws on natural resource management, which place natural resources under the stewardship of the state, are the National Forests Act No. 84 of 1998 and the Marine Living Resources Act No. 18 of 1998.

Occupational Health and Safety Act No. 85 of 1993 and Mine Health and Safety Act No. 29 of 1996	The former provides requirements for health and safety management systems and standards in the workplace. The latter is focused on the need to reduce the number of fatalities and injuries in the mining industry. It provides for tri-partite (labour, business, government) structures at all levels of the industry for the purpose of implementing and monitoring health and safety management systems, as well as identifying causes of accidents. These acts are complemented by the Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 and the Occupational Diseases in Mines and Works Act No 78 of 1973, respectively.
Labour Relations Act No. 66 of 1995 and Basic Conditions of Employment Act No. 75 of 1997	Provide for basic conditions of employment, promote collective bargaining at workplace and sector level, and promote employee participation in company decision-making through workplace forums.
Constitution No. 108 of 1996	Contains the Bill of Rights, including the right to equality, a clean and healthy environment, access to information, administrative justice, and others. Significantly, constitutional provisions and case law suggests that key elements of the Bill of Rights are of horizontal application; that is, they bind individuals and corporations, as well as the state.
National Water Act No. 36 of 1998 ²⁹	Designates water as a national resource and requires water users to apply for licences from the state, with an allocation to a basic water right and a natural reserve, including stringent water pollution regulations.
Employment Equity Act No. 55 of 1998	Seeks to eliminate unfair discrimination in the workplace and implement affirmative action for 'designated groups': black people, women, and people with disabilities.
Competition Act No. 89 of 1998 (amended in 2000)	Defines and makes provision for the prevention of anti-competitive behaviour, and provides for the Competition Commission (administrative body), Competition Tribunal (adjudicates on matters such as mergers), and the Competition Appeals Court.
Skills Development Act No 97 of 1998	In combination with the Skills Development Levies Act No 9 of 1999, this act requires companies to contribute a percentage of their total payroll to the National Skills Fund, which is controlled by 25 Sector Education and Training Authorities (SETAs). The SETAs compensate companies for legitimate training and skills development programmes.
National Environmental Management Act No. 107 of 1998	Promotes development that is socially, environmentally, and economically sustainable, seeks environmental justice and equitable access to environmental resources, promotes the precautionary principle, promotes public participation in environmental decision-making, protects 'whistle-blowers', allows for public interest litigation, and provides for duty of care and remediation responsibilities – particularly for employers. Importantly it includes the possibility of directors' liability for environmental damages.
Promotion of Access to Information Act No. 2 of 2000	Promulgated to enforce the constitutional right to access to information that is pertinent to the Bill of Rights; it allows access to (almost) all information held by the state, as well as significant types of information held by private persons.
Promotion of Equality and Prevention of Unfair Discrimination Act No. 4 of 2000	This act seeks to prevent and prohibit unfair discrimination and harassment and to promote equality and eliminate unfair discrimination, in line with the constitutional right of equality and the exercise of democracy. While the ambit of the Employment Equity Act is limited to the workplace, this act's scope is without limit throughout the Republic.
Mineral and Petroleum Resources Development Act No. 28 of 2002	Vests all mining rights with the state and requires mining companies to reapply for mining permits, with preference given to black economic empowerment companies. Companies need to demonstrate due diligence in social and environmental matters, and directors may be held liable for environmental damage.
National Black Economic Empowerment Act No. 53 of 2003	Sets out a national framework for the promotion of BEE. Establishes the Black Economic Empowerment Advisory Council; and empowers the Minister to issue codes of good practice on BEE, including a scorecard to measure achievement, and to promote sector-specific BEE Charters that are deemed to be in accordance with the objectives of the Act.
National implementing legislation for international treaties	The South African government is a party to numerous international treaties and conventions that have a bearing on CSR issues. These include (but are not limited to): the core conventions of the International Labour Organisation (ILO), the conventions and protocols relating to biodiversity, climate change, ozone depleting substances, the handling and transportation of hazardous waste and the phasing out of persistent organic pollutants; various conventions and treaties relating to the protection of human rights.

Table 2: Selected International and African CSR initiatives

SR-related Initiative	Brief review of drivers and status in South Africa	Relationship with UNGC
International reporting and stakeholder engagement initiatives		
<p>Global Reporting Initiative: The GRI is a “long-term, multi-stakeholder, international process whose mission it is to develop and disseminate globally applicable sustainability reporting guidelines... for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services.”³⁰ The GRI seeks to provide a common framework for a number of different guidelines.</p>	<p>The GRI has enjoyed some prominence in South Africa, including a number of national workshops and conferences. Though only a few South African companies are currently reporting “in accordance” with the guidelines, as reported on the GRI website, most companies’ public sustainable development reports in this country make some reference to the GRI guidelines. It is seen to be the predominant global initiative on reporting, and there is general peer pressure to subscribe to it.</p>	<p>The annual Communication on Progress (COP) is the key reporting mechanism and expectation of signatories to the UNGC. The GRI and the UNGC co-operate formally in their activities.</p>
<p>AA1000: The AA1000 Framework was launched in 1999 in order to provide guidance on sustainability management systems and reporting procedures.³¹</p>	<p>Although some companies such as British American Tobacco (BAT) has used it prominently, and some workshops on the initiative have been held, the AA1000 has arguably had little significance in South Africa and few companies explicitly refer to it.</p>	<p>A commitment to transparency and accountability underlies much of the work of the UNGC. To this extent the AA1000 is a useful supplementary tool.</p>
<p>The Carbon Disclosure Project (CDP): Established in 2003, the CDP serves as the secretariat for the world’s largest institutional investor collaboration on the business implications of climate change. Their website provides the largest registry of corporate greenhouse gas emissions in the world. Supported by a group of international investors representing assets under management of \$40 trillion, the CDP issues a simple questionnaire annually to targeted companies, with questions on awareness and management of climate change issues.³²</p>	<p>The CDP was launched in South Africa this year at the initiative of Incite Sustainability. The National Business Initiative and Incite are leading this project, with sponsorship from ABN Amro, Fraters Asset Management and First South Macquarie. Genesis Analytics is conducting the response analysis and report writing. The top 40 JSE companies received their questionnaires in February, and have until the end of May to respond to them. These responses will be analysed for the first South African CDP report, which will be launched in October. It is anticipated to provide a valuable resource for South African investors and financial institutions. The nature of its signatory support from the financial sector, and its media coverage, are important drivers.</p>	<p>Although there is no formal relationship between the CDP and the UNGC, there is important synergy in terms of some common shared goals relating to increased transparency and a commitment to improved environmental performance.</p>

SR-related Initiative and driver	Brief review of drivers and status in South Africa	Relationship with UNGC
International codes of practice		
<p>ISO 14000 series: The ISO 14000 series of standards focus on corporate environmental management systems, promoting continual improvement without specifying actual standards of performance. Social issues are not given much explicit consideration, though there is reference to stakeholder engagement.</p>	<p>The ISO 14000 series has played an important role for South African companies, many of which have become certified in connection with international supply chain and consumer pressures. South Africa has participated actively in the development of the standard since drafting commenced in the early 1990s.</p>	<p>The ISO 14001 series shares some common goals and objectives with the UNGC, though with an explicit focus on the development and implementation of certifiable environmental management systems.</p>

30. GRI (2002): 1. See www.globalreporting.org. 31. See www.accountability.org.uk. 32. See www.cdproject.net.

<p>ISO 26000: ISO 26000 (due for release in 2008 or 2009) is the designation of the future International Standard giving guidance on social responsibility. The guidance standard, which is not for use as a certification standard, is intended for use by organisations of all types, in both the public and private sectors, including companies, nongovernmental organisations and trade unions. It will not describe a formal management system, but will provide issue-specific guidance on addressing these issues in an organisational context.</p>	<p>South Africa has participated actively in the development and drafting of the standard since the initial inception work. A South African is the convenor of one of the three international drafting teams, and chair of the Liaison Task Force. The likely impact of this Guidance Standard for South African companies remains uncertain.</p>	<p>The UN Global Compact has entered into a Memorandum of Understanding with ISO, with the aim of ensuring that the ISO SR standard and the ISO activities relating thereto are consistent with the UNGC principles. The UNGC and its Networks have committed to collaborating with ISO in establishing links with national mirror committees to strengthen stakeholder participation in the ISO SR process.</p>
<p>OECD Guidelines on Multinational Enterprises: The OECD Guidelines, first developed in 1976 and revised in 2000, pertain to the disclosure of information, employment relations, environmental management, bribery, competition, consumer interests, and science and technology diffusion. “They are the only multilaterally endorsed and comprehensive rules that governments have negotiated, in which they commit themselves to help solve problems arising in corporations.”³³ Signatory governments commit themselves to establishing National Contact Points, which will investigate complaints referring to the Guidelines.</p>	<p>The Guidelines are important for formerly South African companies that have moved their domicile to a signatory country, such as the UK.</p>	<p>The OECD Guidelines shared may common goals and objectives with the UNGC.</p>

SR-related Initiative and driver	Brief review of drivers and status in South Africa	Relationship with UNGC
Sector-specific and issue-focused initiatives (selected examples only)		
<p>The Forest Stewardship Council (FSC) aims to promote more sustainable forestry practices through the certification of sustainable forestry practices</p>	<p>A number of the South African pulp and paper companies have forests certified in accordance with FSC requirements; several paper and packaging manufactures and distributors specifically make use of FSC certified products, due to consumer, peer and market pressure.</p>	<p>Some shared common objectives especially regarding environmental issues.</p>
<p>The Kimberley Process Certification Scheme (KPCS) is a process designed to certify the origin of diamonds from sources that are free of conflict.</p>	<p>The Kimberley Process is comprised of states and regional economic integration organisations (participants) who are eligible to trade in rough diamonds under the provisions of the KPCS. South Africa is a participating country. Market pressure is the key driver.</p>	<p>Some shared common objectives especially regarding human rights issues.</p>
<p>The international chemical industry’s Responsible Care programme, which seeks to promote improved health, safety and environmental performance within the chemical industry and its service providers.</p>	<p>The Chemical and Allied Industries’ Association (CAIA) administers the Responsible Care programme locally; there are currently 131 signatories to the Responsible Care initiative. Key drivers include reputational and peer pressure.</p>	<p>Some shared common objectives especially regarding environmental issues.</p>

33. TUAC-OECD (2002); see also www.oecd.org.

The finance sector's Equator Principles are a benchmark for the financial sector to manage social and environmental issues in project financing.	Only one of the South African banks (Ned-bank) has currently signed up, although another (ABSA) has merged with a founder signatory to the Equator Principles (Barclays).	Some shared common objectives.
The Principles for Responsible Investment (PRI) provide a menu of possible actions for incorporating environmental, social and governance issues into mainstream investment decision-making and ownership practices.	Current South African signatories include Government Employees Pension Fund, Advantage Asset Managers (Pty) Limited, Frater Asset Management, and Empowerdex (Pty) Ltd. Further research into its application in South Africa is currently being undertaken.	This is a joint initiative between the UNEP Finance Initiative and the UNGC.
The Human Rights Compliance Assessment Tool is a diagnostic tool, designed to help companies detect potential human rights violations caused by the effect of their operations on employees, local residents and all other stakeholders	Developed in Denmark, this assessment tool is being adapted to the South African context, although its prominence among South African companies is currently limited. It is anticipated that this initiative will receive greater publicity and increased local business involvement.	Some shared common objectives regarding human rights issues.
The Extractive Industries Transparency Initiative (EITI) supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas, and mining.	Although more focused on African countries with less established governance systems than South Africa (such as Angola) a number of South African mining companies operate in these regions. The SA government has not demonstrated high profile support for this.	Some shared common objectives, particularly as regards corruption and human rights issues.
There has also been an increasing emphasis on fair trade and related certification systems, particularly in the food and clothes sectors, but also in tourism.	One of the key areas of the impact of these codes is in the food, wine and agricultural sector, amongst suppliers to European and North American retail food outlets.	Some shared common objectives particularly as regards labour issues.

Box 8: International and African CSR-related organisations

- World Business Council for Sustainable Development (WBCSD): Originating from an initiative of large multinational corporations in the run-up to the Rio Earth Summit in 1992, the WBCSD is now one of the most influential and prominent business-led initiatives related to CSR. It describes itself as “a CEO-led, global association of some 190 companies dealing exclusively with business and sustainable development.” Its member companies are from more than 35 countries and 20 major industrial sectors, and it also links to a global network of about 60 national and regional business councils and regional partners. In South Africa, the National Business Initiative (NBI) is such a regional partner (see Box 9).
- Business Action for Africa:³⁴ This initiative was launched at the G8 Business Action for Africa Summit in 2005 in response to the Commission for Africa report. Based in the United Kingdom, it includes many prominent multinational companies, many of which are active in South Africa. However its prominence as an initiative is limited in South Africa.
- Business Ethics Network of Africa (BEN-Africa): This is an

association focused on people teaching or managing business ethics. It currently has members in 25 African countries and it communicates with members through its website, newsletters, and an annual conference.

- NEPAD African Peer Review Mechanism and Business Group: The APRM includes a number of requirements for participating countries to have their corporate governance frameworks, among other things, assessed through peer review. However, South Africa is only one of five African countries that have undergone this process, and it has not had a very significant or lasting effect on corporate governance in South Africa. The NEPAD Business Group is an amalgamation of African business associations seeking to support NEPAD. Note that a similar organisation exists with predominantly South African members, called the NEPAD Business Foundation, which at one stage included 200 signatories and a Covenant on Corporate Governance and a Declaration on Corporate Social Responsibility. However, the NEPAD Business Foundation is not prominent at this stage.
- United Nations Environment Programme Finance Initiative (UNEP-FI) Africa Task Force: Coordinated by the UNEP FI, this task force seeks to enhance the consideration of social, environmental, and governance issues in financial institu

³⁴ Further details available at www.businessactionforafrica.org

tions' policies and practices. It is well established in South Africa and includes a number of prominent South African representatives.

Box 9: National organisations of relevance to CSR

Business organisations

- National Business Initiative (NBI): Formed in 1995, the NBI built on the lessons of the Urban Foundation (established 1976) and the Consultative Business Movement (established 1989). It was a business-supported organisation aimed at realising business's commitment to the new democracy. The NBI co-ordinates a number of projects related to corporate social investment and policy formulation, and includes programmes in education, economic development, and sustainable development. Prominent initiatives include:
 - The Business Trust (now established as an independent organisation).
 - The Business Against Crime initiative (now established as an independent organisation).
 - From 2003, the NBI's Sustainable Futures Unit has been active in promoting sustainable development in the business sector, serving as national partner of the World Business Council for Sustainable Development.
 - Currently the NBI is the focal point for the national UN Global Compact network.
 - The NBI also coordinated the development of the national Energy Efficiency Accord, which was signed in May 2005 by over 30 business leaders and the former Minister of Minerals and Energy as a voluntary effort to implement the National Energy Efficiency Strategy.
- South African Business Coalition on HIV and AIDS (SABCOHA): A primary focus of SABCOHA is to provide resources to companies to respond effectively and proactively to HIV/AIDS. This includes guidance on prevention, treatment and care, as well as company strategy. SABCOHA also provides networking opportunities with related initiatives and is organising a conference on the topic this year together with Business Unity South Africa (BUSA).
- Sector-specific business associations: There are a number of business sectoral organisations that play an important role in the development and rollout of CSR-related initiatives in South Africa. Two of the most significant include the Chamber of Mines and the Chemical and Allied Industries' Association (CAIA). In addition to representing their members in government policy-making processes and the media, they act as a platform for sharing information and best practices, as well as the implementation of voluntary initiatives, such as Responsible Care (Table 2) or the gold mining industry's Cyanide Code.

Multi-stakeholder initiatives

- National Economic Development and Labour Council (Ned-

lac): Nedlac is a forum that brings government together with organised business, organised labour and organised community groupings on a national level with the aim of reaching consensus on issues of social and economic policy. Organised business is represented by Business Unity South Africa (BUSA), which brings together the former Black Business Council (BBC) and Business South Africa (BSA).

- National Anti-Corruption Forum: Initiated in 1999 and launched in 2001, the forum brings together government, organised business (represented by Business Unity South Africa) and civil society in a collective fight against corruption. As argued recently by Odette Ramsingh and Kris Dobie:³⁵ "It became clear that its coordination and formal structures for collaboration would have to be improved if the forum was going to justify its existence. Business and civil society in particular had to find ways of coordinating their input and activities, and the forum itself had to streamline its structure to speed up decision-making and enable a focus on tangible projects. Today, at the end of 2006, after surviving severe growing pains and adjustments, the forum is beginning to deliver the kinds of projects that were envisioned at the outset."

Civil society organisations

There are various civil society organisations that have an interest in and influence on various aspects of CSR within South Africa. There are also a variety of types. For instance, some, like World Wildlife Fund South Africa (WWF-SA) and the Endangered Wildlife Trust, have relatively close relationship with business. Others, like GroundWork, have a more critical perspective. Some of the more notable organisations include:

- African Institute of Corporate Citizenship: The AICC was established as a not-for-profit organisation in 2000 and seeks to support CSR initiatives in Africa. It is based in South Africa and has had a prominent role in national CSR debates, including for instance hosting two large conventions (in 2002 and 2004), and acting at times as the local liaison body for a number of international SR-related initiatives, including initially as the focal point for the UNGC in South Africa.
- Bench Marks Foundation: This NGO's work is premised on a set of principles for responsible business behaviour, and it contributes in particular to civil society debates on CSR. It is a non-profit organisation constituted by five Christian organisations: the South African Council of Churches, Ecumenical Service for Socio-Economic Transformation, Christian Development Trust Foundation, Industrial Mission of South Africa and the Justice and Peace Department of the South African Catholic Bishops Conference. Its objectives are to promote a climate of ethical and sustainable investment choices in the church and religious communities, and to monitor corporations and encourage a climate of positive corporate social responsibility.

35. Ramsingh, O. and Dobie, K. (2006) Case study on the South African National Anti-Corruption Forum. Pretoria: United Nations Global Compact Regional Learning Forum.

- GroundWork: This is one of the most prominent, critical NGOs active in South Africa and the region, with a particular focus on pollution and environmental justice. During the WSSD, for instance, it was an important contributor to the 'corporate accountability' lobby, which called for stricter regulation of multinational companies, and it maintains strong ties to an international network of NGOs that are critical of the CSR movement. It also provides support to a number of community or local initiatives, such as the South Durban Community Environment Alliance.
- There is a range of other civil society organisations with relevance to the CSR debate. Some, like the Group for Environmental Monitoring, emphasise monitoring and lobbying; others, like the Institute for Security Studies and the Institute for Democracy in South Africa, have a prominent research function.

Tertiary education initiatives on CSR

- CSR is an explicit research focus of very few university departments. Two of the most prominent in this regard are the University of South Africa's Centre for Corporate Citizenship and the University of KwaZulu-Natal's Leadership Centre. Generally, however, CSR is a topic that receives research attention primarily from individual faculties within a diverse range of departments, ranging from business schools to sociology departments.
- These different institutional settings are also likely to shape the form and orientation of research. For instance, a research project on corporate social and environmental responsibility conducted at the Sociology of Work Unit at the University of the Witwatersrand from 2002 to 2005 was characterised by a critical analysis of CSR. (A book based on this research is due to be published by the University of KwaZulu-Natal Press.) Research in commerce departments or business schools is likely to be more instrumental in nature. A further characteristic of research in this field is that significant research is being conducted on issues related to CSR (such as black economic empowerment or environmental management), but the actual term CSR is not applied and neither is there a reference to the broader CSR movement.
- A survey of South African MBA programmes conducted in 2005 came to the conclusion that "though there are some proactive business schools (such as the University of Cape Town Graduate School of Business or Pretoria University's Gordon Institute of Business Science), South African MBA programmes are generally still dominated by conventional notions of business success."³⁶ The survey also identified a number of contradictions between perceptions of MBA directors and a broad range of stakeholders in business and civil society, whereby the latter identified a greater need for considering sustainability issues in MBA curricula than the former.

- In particular, the following findings pertain to the inclusion of sustainability issues in South African MBA curricula:

- Only one business school (at the University of Cape Town) includes a comprehensive, core module on corporate citizenship, which explicitly refers to the social, economic, and environmental aspects of corporate citizenship in an integrated fashion;
- Four schools include a core module on business ethics, while one school had a core course on "business in society" and another on "HIV/AIDS policy and strategy". This means that seven schools (about 40%) include a required course with corporate citizenship content in their MBA;
- The majority of schools offer some kind of elective course on corporate citizenship issues, ranging from corporate governance to environmental management;
- Five schools include no explicit reference to corporate citizenship themes whatsoever in their curricula.

Short courses on CSR

The survey referred to above also considered various short courses or programmes that are on offer in South Africa; the following represent a selection:

- The Cambridge Programme for Industry (CPI) runs two annual week-long seminar programmes on sustainability for business, one of which targets senior executives and the other sustainability managers;
- The Gordon Institute of Business Science offers a variety of short courses with relevance to corporate citizenship, including a week-long seminar together with Harvard Business School entitled 'Making Markets Work';
- The Institute of Directors offers a number of short courses, with an emphasis on corporate governance;
- The Leadership Centre at the University of KwaZulu-Natal used to offer a Masters in Corporate Citizenship (though this is not offered anymore) and it also offers short courses;
- The Sustainability Institute at the University of Stellenbosch offers a number of relevant short courses, including a week-long seminar on corporate citizenship;
- The UCT Graduate School of Business offers a number of short courses on topics such as business ethics and black economic empowerment. It also includes the Centre for Leadership and Public Values;
- The Unisa Centre for Corporate Citizenship offer two six-month courses, one on corporate citizenship and one on corporate governance, as well as a range of short courses on topics such as sustainability reporting.

36. Hamann, R, van Duijn, L., Appels, C., Taylor, E., Akor, E.: Corporate citizenship in South African business education. *South African Journal of Business Management*, 37(2): 1-9.

Box 10: National CSR-related initiatives

JSE Socially Responsible Investment (SRI) Index³⁷

- The JSE Limited securities exchange (JSE) is one of the most advanced bourses in the developing world, with strong ties to London's FTSE. It was also the first bourse in the developing world to establish an index related to CSR issues, and this index is notable for the fact that it is sponsored and managed by the bourse itself (in contrast to other similar indices, such as the Dow Jones Sustainability Index).
- Based on a multi-stakeholder participatory process, the index criteria were developed with reference to the FTSE-4Good index but with special emphasis on the South African context. All companies listed on the All Share Index (roughly 160) are eligible to participate and the assessment process includes a detailed questionnaire administered by a dedicated data provider.
- The SRI Index was launched in May 2004 and the results of the first annual review were announced in May 2005. The results of the second annual review were announced in April 2006. The third round is currently on hold, though an announcement of results is scheduled for middle of the year. Sonnenberg and Hamann (2006) summarise the impact of the SRI Index as follows:

"There is no doubt that the Index has increased awareness of corporate citizenship among JSE listed companies. Its most significant effect has arguably been on those companies that otherwise would have had limited exposure to sustainability issues... For those companies unfamiliar with the triple bottom line, the Index has provided them with a deeper understanding of a range of sustainability issues... A further important contribution, both for companies and the broader stakeholder community, has been that the Index has for the first time provided a set of criteria that defines the priorities for corporate citizenship in the South African context... However, despite the media coverage of the Index, as well as the interest expressed by a range of listed companies, the anticipated increase in the number of companies participating in the second round of the Index did not materialise. The reasons include questionnaire fatigue and uncertainty as to the benefits of participating in the Index."

King II Report on Corporate Governance in South Africa

- Published in 2002 and prepared by a committee chaired by Judge Mervyn King, this report is the second, revised edition of a report that was published for the first time in 1994. It was commissioned by the Institute of Directors, a membership organisation of leaders in private and public companies. Selected parts of the King 2 report have been adopted by the JSE as a listing requirement and it is widely accepted as best practice in corporate governance, even internationally.

- Over and above sections on board composition, risk management, auditing and compliance, it includes a far-reaching section on integrated sustainability reporting. It notes, "every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health, and environmental management policies and practices."³⁸
- In general, the King II report takes an approach known as "comply or explain", which means that companies should assess the guidelines and apply them judiciously in a manner that is appropriate to their context. If they choose not to comply with them, they should publicly explain why not.

Social Responsibility Performance and Reporting: Leading South African companies³⁹

There are various measures for identifying leading performers in terms of social responsibility practices in the corporate context. This section provides a brief review of the outcomes of relevant local and international rating schemes and reporting awards. Although these do not of themselves guarantee a sufficiently comprehensive assessment of the best SR performers in the South African corporate context, they may be seen as broadly indicative of some of the recognised leaders in the field. In most instances below, provision is made only for companies whose primary listing is in South Africa.

International CSR-related rating schemes

Internationally, two of the more credible and experienced research and rating bodies in the field of corporate social responsibility are Sustainability Asset Management (SAM) and Innovest Strategic Value Advisors. SAM, together with Dow Jones Indexes and STOXX, runs a series of sustainability indexes that track the performance of companies seen to be industry leaders in sustainability. Only four South African companies are currently listed on the index (see Box 11).

Innovest Strategic Value Advisors similarly assesses the performance and strategic positioning of companies, using over 120 factors that are not captured by traditional, accounting-driven analysis. Since 2006, Innovest has been identifying The Global 100 Most Sustainable Corporations in the World, the results of which are announced each year at the World Economic Forum meeting in Davos. These companies are assessed using an Intangible Value Assessment (IVA) methodology that balances the companies' social and environmental risks with an assessment of their managerial and financial capacity to manage the risk successfully. A full list of these companies is provided at www.global100.org. No South African companies are currently included on this list.

Local CSR-related rating and research schemes

The closest local equivalent to these initiatives is the JSE Socially Responsible Investment (SRI) index, first launched in May 2004. The SRI Index is constituted from companies that form part of the FTSE/JSE All Share Index, that choose to participate

37. Sonnenberg, D. and Hamann, R. (2006) *Implications of the JSE Socially Responsible Investment Index for corporate social responsibility in South Africa*, *Development Southern Africa*, 23(2): 305-320. 38. King Committee on Corporate Governance (2002); 39. This section is based on Eccles, N., Hamann, R., and De Jongh, D. (forthcoming). *Corporate Accountability in South Africa: A sectoral evaluation* (submitted to *South African Business Review*) and Jonathon Hanks *Identifying South Africa's Most Sustainable Companies in Mind/Shift magazine* (forthcoming).

in the SRI Index process, and that meet the criteria. The top ranked companies on the current index are presented in Box 12.

In a recent research project conducted by the Unisa Centre for Corporate Citizenship, in conjunction with AccountAbility and CSRNnetwork, the top 52 companies listed on the JSE were ranked on the basis of publicly available information in terms of their performance in the following areas (see Table 3):

- Strategic intent (i.e. the extent to which sustainability issues are reflected in company strategy);
- Governance (including board oversight and responsibility for sustainability issues);
- Performance management;
- Stakeholder engagement;
- Public disclosure; and
- Assurance (especially of companies' sustainability reports).

A key message from this research is the leadership role of the mining sector in this field. This is premised on this sectors' long-standing engagement with environmental and community issues; its exposure to significant critique and monitoring by both civil society and government (including also particular attention in terms of black economic empowerment); as well as important international initiatives, such as those led by the International Council for Metals and Minerals. The second most advanced sector is finance; this sector is also characterised by strong links to the international debates and, most importantly, a dedicated BEE charter.

Box 11: SA companies on the Dow Jones Sustainability World Index

Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Their Sustainability World Index (DJSI World) comprises more than 300 companies that represent the top 10% in each sector of leading sustainability companies out of the largest 2500 companies in the Dow Jones World Index. Only four South African domiciled companies are listed on the latest DJSI World Index:

- African Bank Investments Limited
- Investec Limited
- Nedbank Group Limited
- Bidvest Group Limited

Box 12: Top companies on the JSE SRI Index (25 April 2006)

The JSE launched the SRI Index in South Africa in May 2004, as a means to identify those companies listed on the JSE that integrate the principles of triple bottom line into their business activities, and to facilitate investment in such companies. Following is a summary of best performers on the current index.

High environmental impact classification

Of the 30 high impact companies that qualified, the top six ranked in alphabetical order are:

- Anglo American Plc *
- Anglo American Platinum Corp Limited *
- Impala Platinum Holdings Limited
- Oceana Group Limited
- Sasol Limited
- The Tongaat-Hulett Group Limited

Medium environmental impact classification

Of the 13 medium impact companies that qualified, the top four ranked in alphabetical order are:

- Edgars Consolidated Stores Limited
- Medi-Clinic Corporation Limited
- Telkom SA Limited
- Woolworths Holdings Limited *

Low environmental impact classification

Of the 15 low impact companies that qualified, the top three ranked in alphabetical order are:

- Liberty Group Limited
- Nedbank Group Limited *
- Remgro Limited

** indicates the top performer in each of the impact categories*

Table 3: “Accountability” ranking of SA listed companies⁴⁰

Rating 2006	Company	Score 2006	Sector
1	BHP Billiton Plc	78.6	Resources
2	Anglo Platinum Limited	70.1	Resources
3	Anglo American Plc	69.4	Resources
4	Nedbank Group Limited	67.4	Financials
5	Sasol Limited	66.0	Oil and Gas
6	SABMiller Plc	61.6	Industrials
7	Anglogold Ashanti Limited	54.9	Resources
8	Santam Limited	54.7	Financials
9	Barloworld Limited	54.2	Industrials
10	Kumba Resources Limited	53.8	Resources
11	Harmony Gold Mining Company Limited	52.9	Resources
12	Massmart Holdings Limited	51.3	Retail / Consumer Services
13	Aveng Limited	49.1	Industrials
14	Sappi Limited	48.9	Industrials
15	Impala Platinum Holdings Limited	48.4	Resources
16	Telkom SA Limited	48.0	Technology, Electronics and Telecoms
17	Absa Group Limited	46.6	Financials
18	Pick n Pay Stores Limited	46.6	Retail / Consumer Services
19	Standard Bank Group Limited	45.7	Financials
20	Woolworths Holdings Limited	45.1	Retail / Consumer Services
21	MTN Group Limited	43.0	Technology, Electronics and Telecoms
22	Bidvest Group Limited (The)	41.7	Industrials
23	Gold Fields Limited	41.7	Resources
24	Metropolitan Holdings ⁴¹	41.1	Financials
25	Sanlam Limited	40.1	Financials
26	Edgars Consolidated Stores Limited	39.7	Retail / Consumer Services
27	Richemont Securities Ag	38.8	Industrials
28	Investec Limited	38.1	Financials
29	Investec Plc	38.1	Financials
30	Unitrans Limited	37.4	Retail / Consumer Services
31	Firststrand Limited	37.0	Financials
32	AECI Limited	36.4	Industrials
33	Allied Electronics Corporation Limited	35.5	Industrials
34	Liberty Group Limited	34.8	Financials
35	Network Healthcare Holdings Limited ⁴²	32.5	Healthcare
36	Imperial Holdings Limited	31.7	Industrials
37	JD Group Limited	30.1	Retail / Consumer Services
38	Old Mutual Plc	25.2	Financials
39	Nampak Limited	24.9	Industrials
40	Datatec Limited	24.1	Technology, Electronics and Telecoms
41	Super Group Limited	24.0	Industrials
42	Dimension Data Holdings Plc	22.6	Technology, Electronics and Telecoms
43	Shoprite Holdings Limited	22.5	Retail / Consumer Services
44	Murray & Roberts Holdings Limited	20.0	Industrials
45	New Clicks Holdings Limited	19.3	Retail / Consumer Services

⁴⁰. Ranking based on findings of research conducted by Unisa Centre for Corporate Citizenship, AccountAbility and CSRnetwork. ⁴¹. Metropolitan Holdings is ranked 51 on the Financial Mail SA Giants list and would therefore be excluded from the top 50. ⁴². Network Healthcare Holdings (Netcare) is ranked 52 on the Financial Mail SA Giants list and would therefore be excluded from the Top 50 Companies.

Rating 2006	Company	Score 2006	Sector
46	Steinhoff International Holdings Limited	19.0	Industrials
47	Mittal Steel Limited	18.9	Industrials
48	The Spar Group Limited	16.9	Retail / Consumer Services
49	Naspers Limited	14.5	Technology, Electronics and Telecoms
50	Remgro Limited	13.0	Financials
51	Tiger Brands Limited	12.8	Industrials
52	Liberty Holdings Limited	5.2	Financials

Sustainability reporting awards

Another approach to identifying the leading sustainability companies is to consider the results of the annual sustainability reporting awards administered separately by the Association of Chartered Certified Accountants (ACCA) and by Ernst and Young (see boxes). A global assessment and ranking of sustainability reporting practices is undertaken every two years by SustainAbility and UNEP, in which some South African companies have performed well (most notably Anglo Platinum, Sasol and Nedbank.)

Box 13: Results of SA sustainability reporting awards

Following is a summary of the results of the two principal sustainability reporting awards. Although these awards focus on a company's reporting practices, rather than specifically its sustainability performance, there is often a clear link between transparent reporting and improved performance, and so to some extent this may be used as a proxy indicator.

Ernst & Young Excellence in Sustainability Reporting – 2006 Ranking

- 1st – Sasol
- 2nd – Anglo American Platinum Corporation
- 3rd – The Bidvest Group
- 4th – BHP Billiton
- 5th – Kumba Resources

ACCA South Africa Awards – 2005

- Best Sustainability Report – Anglo Platinum Corporation Limited
- 1st Runner-Up – Spier
- Joint 2nd Runner-Up – African Bank Investments Limited
- Joint 2nd Runner-Up – Sasol
- Best improved report – Woolworths Holdings Limited
- Best newcomer – Massmart Holdings

Box 14: Four trends influencing the business case for corporate sustainability

The following four trends are increasing the importance of CSR as a strategic priority within companies both locally and internationally:

- Tightening global and domestic regulatory pressures on environmental and social issues

- Growing stakeholder expectations (NGOs, consumers, investors) for corporate accountability
- Specific impact of resource pressures (e.g. climate change) on corporate activity
- Increasing appreciation of financial returns for integrating sustainability principles

The impact of these trends will vary depending on the nature of the company and the region within which it operates. These trends are each briefly reviewed below.

1. Tightening global and domestic regulatory pressures and growing voluntary measures

There are a number of instances of tightening regulatory pressures, coupled with a significant increase in pressure to adopt voluntary measures:

- Growing legislative requirements on social issues, epitomised for example by the BEE Charters
- Significant recent changes in environmental legislation in South Africa, including on such issues as air pollution, waste management, and water quality and pricing
- Increasing regulatory pressure for improved corporate governance practices and higher levels of transparency, as evidenced for instance by the Sarbanes Oxley requirements
- Increasing use of tax measures and other economic instruments to promote change

2. Growing stakeholder expectations for greater accountability

There are growing pressures from institutional investors many of whom are increasingly disenchanted with traditional analysis, particularly post-Enron. This includes:

- Increase in 'active ownership' and research by mainstream investors – note for instance the increasing advocacy role played by the Public Investment Corporation on BEE issues
- Growing evidence of personal / class action claims (including e.g. recent claims relating to asbestos, corporate governance and climate change)

- Growth in socially responsible investment funds and sustainability indices
- Adoption by banks of the Equator Principles governing project finance, impacting access to capital
- The growth of collective initiatives by investors on social and environmental issues such as the Carbon Disclosure Project (recently launched in SA).

Increasing NGO and consumer pressures for corporate accountability.

- This is epitomised for example by anti-globalisation and anti-corporate protests, the growth of more sophisticated NGO campaigns, and (in some areas) increasing consumer pressure for environmental and socially sound products and services. In South Africa, NGO, community and legal advocacy groups have been particularly active for example on air pollution issues in the South Durban basin and Vaal Triangle and community rights in the platinum mining sector.

3. Impact of resource pressures on corporate activity

In some instances companies are implementing sustainability initiatives as a means of addressing environmental resource pressures that are having a direct impact on their activities. International examples include Unilever's partnership with the World Wide Fund for Nature to establish the Marine Stewardship Council in response to declining stocks of cod, while local examples include the innovation in dry-cooling for one of Eskom's power stations.

4. Growing appreciation of the financial returns for integrating sustainability principles

In the context of these various trends and pressures, there is increasing research activity aimed at quantifying the business case for sustainability accompanied by a growing appreciation by business of the financial return for integrating sustainability principles within core strategy. Useful examples of this include the recent studies that explore how carbon constraints associated with climate change may affect corporate value creation, highlighting the extent to which traditionally longer-term environmental considerations can have a significant bearing on company valuation.⁴³

43. See e.g. undertaken by Sustainability Asset Management (SAM) and the World Resources Institute (WRI), as well as the research of Innovest associated with the Carbon Disclosure Project.

PART 2 The UN Global Compact in South Africa

The Global Compact in South Africa: A brief history

In 2000, a number of South African companies joined the UN Global Compact voluntarily. In 2003 the United Nations Information Centre, the New York GC Office and the African Institute of Corporate Citizenship (AICC) launched a South African UNGC Network. The AICC was identified as an appropriate focal point for this network. However, there was little activity following this launch and the UNGC did not receive much attention in South African CSR debates.

During 2005, the UNGC Regional Learning Forum for sub-Saharan Africa established itself in South Africa. It entered into a partnership with the Unisa Centre for Corporate Citizenship (Unisa CCC) and occupied offices on the Unisa campus in Pretoria. One of the objectives of the UNGC Regional Learning Forum office was to reinvigorate the national network and to gain new participants. To this end, the network was re-launched at the end of 2005 and the Unisa CCC was identified as the new focal point for the network. However, this launch event was characterised by a relatively low turnout by representatives from the corporate sector.

During 2006, the activities of the Regional Learning Forum, as well as the Unisa CCC, were primarily occupied with the organisation of the International Learning Forum Meeting in Ghana, which took place in November 2006. Preparation for this event included the commissioning of case studies; two of these involved South African UNGC participants and another focused on the South African National Anti-Corruption Forum. A number of South African UNGC participants were also represented at the Ghana meeting itself.



In 2007 the National Business Initiative (NBI) took over the reins as the focal point, with the CCC continuing its contribution as academic partner to the network. As outlined elsewhere in this report, the NBI is a voluntary coalition of 140 companies in South Africa committed to shared and sustainable development. As the focal point, the NBI is supported by active South African UNGC participants and partner organisations such as Business Unity South Africa (BUSA), the UNISA Centre for Corporate Citizenship, the UNGC Regional Learning Forum and relevant national government departments. The NBI will be investigating opportunities for forging stronger partnerships with civil society. One of the first activities of the new focal point will be the creation of an Advisory Committee.

South African participants of the UNGC

As at March 2007, there were 21 South African organisations signed up to the UN Global Compact. These comprise 16 private sector companies, one parastatal, two governmental bodies, a trade union organisation and one non-governmental organisation (see Appendix 3). Africa as a whole is relatively poorly represented, with a total of 154 business participants compared with 1,462 in Europe, 938 in the Americas, 402 in Asia, 62 in the Middle East and 19 in Australasia.

Activities and achievements of the UNGC South Africa network

The NBI has set itself the following objectives and targets:

- To increase the level of participation in the Global Compact, particularly amongst the business community – with a target of tripling the number of business participants by end 2008;
- To increase the number and depth of published Communications on Progress (CoPs) – seeking a target of a 100% reporting rate of signatory companies by the end of 2007;
- To raise awareness within the local business community, with the aim of ensuring greater commitment and participation, improved sharing of best practice and greater levels of business trust and accountability.

The primary mechanism for achieving these objectives will be by hosting a series of focused events endorsed by the Committee. The focal point will also work towards greater public and media awareness of the Compact. Over the past year the focal point has hosted various interactive events such as seminars on responsible investment and anti-corruption. Several South African companies contributed case studies developed for the UNGC Learning Forum that took place in Ghana in November 2007.

The stated goals of the focal point are largely in line with the

recommended activities for the Global Compact Networks as suggested by the UN Global Compact office (see Box 15).

Box 15: Recommended Activities of the Global Compact Networks⁴⁴

Global Compact Networks choose the activities deemed useful to advance the Global Compact principles in a given country, regional or sector context:

Recommended Activities

- Act as a country or regional Global Compact Platform, assisting companies with the implementation of the ten principles and the preparation of the annual “Communication on Progress”.
- Be a country, regional or sector platform for Dialogue on issues related to the ten principles, responsible corporate citizenship and the advancement of the eight UN Millennium Development Goals. Networks are encouraged to contribute to global dialogue events, discuss results and implement recommendations of global dialogue events within the local network.
- Be a country, regional or sector platform for Learning related to the Global Compact. Encourage participating companies to develop case studies and send examples to the GC office. Contribute to local learning by organising country, regional or sector learning events, and/or establishing a learning forum in local language(s).
- Motivate participating companies to develop partnership projects to contribute to the achievement of the UN Millennium Development Goals.
- Serve as a Global Compact outreach mechanism, to get the support of additional companies by organising outreach events.
- Identify and discuss emerging Issues related to globalisation, particularly the challenge of promoting inclusiveness and social responsibility by all participants involved (networks may also help mediate cases of controversial company behaviour).
- Act as Contact for government entities dealing with human rights, labour, environment, anti-corruption, development, and liaise with civil society organisations (universities, NGOs) working in the fields of corporate responsibility and development.
- Liaise with other Global Compact networks and with the GC office in New York on dialogue, learning, partnership projects, outreach, communications, for mutual knowledge exchange.

The UNGC in South Africa and the further development of CSR

Assessment of the prominence and impact of the UNGC

Most of the individuals interviewed for this research agree that, internationally, the UNGC is an important initiative and enjoys some prominence in the CSR debate and to some extent beyond. The initiative is seen to have had some success in increasing the profile of CSR among its participants, as well as more broadly within business and other stakeholders. It is also seen as having had some success in providing a platform for dialogue within business and between business and other stakeholders, with the convening capacity of the UN seen to be particularly significant. Internationally, one of the key contributions of the UNGC is the positive impact it has had in terms of facilitating dialogue between business and the UN system, something that was previously absent.

Notwithstanding these various important benefits, some are critical of the initiative due to its emphasis on corporate self-regulation. The concern is that, in developing countries in particular, the basic level of state regulation has yet to be achieved and initiatives such as the UNGC should not be allowed to distract from this priority. An important related criticism is that the initiative lacks any enforcement mechanism, and thus is often not fully implemented. It has been described as a “soft” initiative that is easy to sign up for as the practical obligations are not particularly onerous and there are few mechanisms for holding signatories to account. The low level of reporting (through the publication of Communications of Progress), and the limited number of companies that have actively participated in the development and dissemination of case studies, is indicative of this concern.

In South Africa the UNGC is seen to have a much lower prominence than it does internationally and its impact is considered low by most interviewees. A key element is the relatively low level of participation and, more particularly, the very small number of active participants, most of whom are large internationally-oriented companies. For these large companies, a key incentive in becoming a UNGC partner relates to the opportunities that it is seen to bring in the international business arena.

A commonly cited reason for the difficulties the UNGC has faced in attracting more South African participants is that there are many existing international and South African initiatives relating to CSR (see Table 2 and Boxes 8 and 10). In particular, many local companies see the South African state’s comprehensive BEE programme, and various corporate compliance requirements as a priority. Furthermore, there are several existing forums for multi-stakeholder debate, such as Nedlac and BUSA.

Several of those interviewed for this research also mentioned that the UNGC Principles are generally entrenched in the South African Constitution and in related legislation, and thus don’t provide a significant “rallying cry” for companies and other stakeholders. This is in contrast to many other countries where

44. This section is based on Eccles, N, Hamann, R, and De Jongh, D. (forthcoming). *Corporate Accountability in South Africa: A sectoral evaluation* (submitted to *South African Business Review*) and Jonathon Hanks *Identifying South Africa’s Most Sustainable Companies in Mind//Shift magazine* (forthcoming).

companies may be confronted with legislation or governance issues that make the adherence to these global standards more difficult. As a consequence, many interviewees suggested that for local business this is little evidence of the UNGC's "added value" and that it is not easy to differentiate it from other initiatives, either locally or globally.

In addition to challenges relating to the inherent features of the UNGC and the South African context, a number of interviewees also noted some challenges of a more procedural nature. Some mentioned that there has not been an effective communication strategy between the UNGC and its various representatives on the one hand, or between the UNGC and corporate leaders on the other. This was seen to apply both to UNGC participants and prospective participants.

The UNGC and the further development of CSR in South Africa

Drawing on the observations made above, on the outcomes of the interview and research process and on the authors' collective experience in this field, this concluding section provides a broad assessment and some general reflections of the possible role that the UNGC can play in terms of the further development of CSR in South Africa.

As a starting point it is useful to reflect on the four key goals that the NBI has set itself as the national focal point, namely:

- To ensure that the global leadership that some South African companies are demonstrating on CSR issues is more accurately reflected in the number and nature of local signatories to the UNGC;
- To enhance the understanding that the principles of corporate responsibility are increasingly being internationalised, and that if local business is to do business internationally, it needs to address these issues and be aware of the trends;
- To encourage a dialogue on what these principles mean in the South African context; and
- To help companies by sharing information on how to integrate these principles effectively into their own business strategies.

Increasing awareness of, and partnership with, the UNGC

During the interviews undertaken for this report, a number of common themes were identified, reflecting a broad level of support for the NBI's underlying goals. It is clear from the interviews and from recent experience, however, that if the Global Compact is to play a meaningful role, then it needs to significantly increase the level of awareness and understanding of the UNGC – both as a discrete initiative and the nature of its principles – more broadly within South African business, government and civil society. In addition, the National focal point needs to establish a "critical mass" of local participants, by clearly demonstrating to them the value-add of participating.

Value-add: Promoting learning and dialogue on key issues

In terms of identifying the greatest value-added for participants, the predominant view is that the UNGC – with its large base of private and public sector partners internationally – can play a valuable role in promoting learning and dialogue based on the shared experiences of its signatory organisations in addressing social, environmental and governance challenges. Through this shared experience, and the potential this provides for networking, information-exchange and research, it is suggested that the Compact can provide valuable guidance to organisations on what is expected of them as responsible global citizens, and in so doing to further contribute to their international competitiveness.

With this in mind, it is suggested that the greatest added value will be achieved if the UNGC focuses on those issues that will contribute to an enhanced understanding and achievement of international expectations and obligations, rather than seeking to provide guidance on predominantly local issues, many of which are already well addressed by existing national initiatives. Similarly, there is seen to be an important role for the UNGC in providing a platform for enhancing the reputation of local organisations by profiling their initiatives and activities internationally, building for example on the UNGC's existing initiatives relating to the development and dissemination of case studies.

In reviewing the potential role of the UNGC in terms of providing learning, dialogue and networking opportunities, there was some agreement on the issues for the UNGC to focus on, most notably:

- Providing guidance on some of the dilemmas associated with doing business in areas of conflict and/or weak governance, with a particular focus on human rights, transparency and governance;
- Reviewing the implications and role of South African businesses that operate in Africa; and
- Addressing the business challenges associated with climate change.

The UNGC and related CSR initiatives

To enhance the value-add of the UNGC in South Africa, it will be important to encourage appropriate coordination between the UNGC and other CSR initiatives and institutions, and where feasible to identify opportunities for synergy so as to minimise duplication in terms of reporting and related obligations. A number of the more influential CSR initiatives and institutions are presented in Table 2 (and Boxes 8 and 10). Table 2 includes a brief description of the nature of the relationship between each initiative and the activities and goals of the UNGC.

In terms of the priority focus areas identified above – namely doing business in zones of weak governance, human rights, corruption and climate change – there is scope for focusing on certain specific initiatives and institutions, with the aim of increasing awareness within local business of the implications of these initiatives, as well as minimising unnecessary duplication. Some of the initiatives that present specific opportunities for coordination and increased awareness raising, include:

- The OECD Guidelines on Multinational Enterprises, of particular interest following the OECD's recent offer to South Africa of "enhanced engagement" with a view to possible membership;
- The Human Rights Compliance Assessment Tool (currently being tested for South African companies), and related opportunities such as the Business Leaders Initiative on Human Rights;⁴⁵
- The Extractive Industries Transparency Initiative, of particular relevance to mining and other natural resource companies operating elsewhere in Africa; and
- The National Anti-Corruption Forum that seeks to address issues pertaining to corruption.

In addition to promoting co-ordinated activities with these and other initiatives, some interviewees suggested that the focal point should engage in current debates relating to the nature of "international norms of socially responsible behaviour" and the implications these may have for local organisations. It was recommended, for example, that the focal point should play a role in assessing the views of local business on the development of certain global initiatives (such as ISO 26000), identifying what these may mean in practice in this country, evaluating whether they will add value, and identifying whether – and if so, how – local business should seek to influence the initiative.⁴⁶

National focal point supporting activities

If the NBI is to achieve the objectives and targets that it has set itself for the UNGC in South Africa, there are various supporting activities that may be required. Ideally it will need the support of visible leadership and commitment to the Compact from some of existing business leaders who are signatories to the Compact, as well as from the UN itself.

There will be benefit in securing the support of relevant government departments, as well as other stakeholders such as the traditionally more sceptical civil society bodies. Some government departments have recently expressed their concern at the role of SA business operating elsewhere in Africa; in seeking to secure the more active contribution of the SA government in the activities of the UNGC, it may be useful to emphasise the potential role of the UNGC (and in particular its opportunities for learning, dialogue and networking) for addressing this concern.

There is scope for further activities (building on what the NBI is already doing in this area) for increasing awareness within business, civil society bodies and the media on CSR issues generally, as well as more specifically on the aims and objectives of the Global Compact.

In addition to the dialogue and engagement on CSR/SD issues that the NBI takes at the senior practitioner level, there would be significant benefit in engaging certain business leaders at CEO level in some of the discussions on SR-related issues, building

for example on the experiences of the model used in the early days of the Industrial Environmental Forum.

In seeking to expand the Compact, there may be merit in targeting some of the "less traditional" companies in the JSE Top 100, with a focus on those sectors that face some material SR issues, but that are not already absorbed in any of the existing range of CSR initiatives.

There is scope for further engagement of universities for research and advocacy purposes, linking where possible with the activities of the Globally Responsible Leadership Initiative formed by the European Foundation for Management Development (EFMD) with the support of the UNGC.

Concluding comment

Notwithstanding some of the concerns relating to the efficacy of the UNGC – in terms of its impacts at both a national and international level – the research undertaken for this report suggests that there is a general sense that the NBI is the most appropriate body to take on the role of the national focal point and that it has the potential to address some of the concerns that have impeded the more widespread uptake of the UNGC in the country.

As noted earlier, since taking on its role as the focal point the NBI has set itself the following ambitious objectives and targets:

- Increasing the level of participation in the Global Compact, particularly amongst the business community – with a target of tripling the number of business participants by 2008;
- Increasing the number and depth of published Communications on Progress (CoPs) – seeking a target of a 100% reporting rate of signatory companies by the end of 2007;
- Raising awareness within the local business community, with the aim of ensuring greater commitment and participation, improved sharing of best practice and greater levels of business trust and accountability.

If these objectives and targets are met, and if due consideration is given to some of the observations and recommendations arising from the interviews for this report, it is anticipated that the UNGC in South Africa will become more effective in achieving its stated goal of providing "a human face to globalisation".

45. BLIHR is a business-led programme to help lead and develop the corporate response to human rights (www.blihr.org). 46. The UNGC has entered into a Memorandum of Understanding with ISO, with the aim of ensuring that the ISO SR standard is consistent with the UNGC principles. The UNGC and its Networks have committed to collaborating with ISO in establishing links with national mirror committees to strengthen stakeholder participation in the ISO SR process.





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