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GETTING CSI RIGHT: THIS IS GOOD NEWS FOR SOUTH AFRICA

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Historically, our past 'apartheid' regime has created a challenging future for the citizens of democratic South Africa. Whilst there has been steady progress toward a more inclusive and balanced society, there's still plenty work ahead. The impact of our socio-economic divide -- where South Africa is considered one of the most unequal societies worldwide -- is still largely characterised by; a cycle of deepening poverty which is perpetuated by a lack of quality education, lack of access to basic services that include water and electricity, lack of a sustainable quality health care system, growing unemployment and insufficient housing for the poor. All of these challenges are compounded by the ravages of HIV/Aids.

South Africa's Constitution and the Bill of Rights guarantee certain fundamental rights to all South African citizens. And in order to rectify the effects apartheid had upon its Black and other marginalised people in South Africa, the Government's Broad Based Black Economic Empowerment Act serves as one of a few enabling legal mechanisms as an initiative to indirectly compel corporate South Africa to address some of these socio-economic challenges. The BBBEE Act aims to correct past racial imbalances and encourage efforts of social investment and the empowerment of essentially Black communities. The subsections of the BBBEE Act encompass amongst other, direct empowerment (ownership and management) and indirect empowerment (Employment Equity, Skills development, preferential procurement, enterprise development and socio-economic development).

Undoubtedly, there is strategic relevance for Corporate Social Investment (CSI) towards the transformation of our democracy, as well as a critical urgency to build a South Africa which is sustainable. Given the relatively slow progress over the last twenty years, the question being asked is whether we are able to act innovatively and implement creative social investment practices for greater transformation and thereby actually derive a return on investment for South Africa? [Instead of treating transformation as a mere act of compliance.]

Indeed, the value of CSI has been embraced by a number of South African corporates each who have taken a step beyond the standard 'tick-box' approach and have sought ways to adopting the Broad Based Black Economic Empowerment Act in a sustainable enabler to truly empower Black people and their communities, rather than simply ticking a scorecard. The results of their corporate social engagements have been felt by their shareholders, valued employees and the communities that they operate in. This being to the extent that the Johannesburg Stock Exchange implemented the JSE Social Responsible Investment Index (JSE SRI) in acknowledgment of the CSI endeavours being undertaken by the JSE listed companies.

The areas of measurement for participation in the SRI Index are extensive across *Themes* of broad categories such as Environment, Society, Governance and Sustainability concerns, and Climate Change. The *Themes* are analyzed to measure the integration of principles into existing organisational governance frameworks across Policy and Strategy, Management and Performance, and Reporting areas.

A review of the Best Performers for 2012's various initiatives demonstrate a commitment to the integration of CSI as part of the organisation's strategic objectives. These organisations have achieved this by addressing key environmental issues, considering environmental sustainability, training and development, quality



employee relations, attention to health and safety practices, being equal opportunity employers, building community relations, commitment to stakeholder engagement and BBBEE practices, commitment to sustainable Board practices that are ethical, effective risk management, consideration of broader economic issues, and a commitment to the reduction of carbon emissions.

The JSE SRI Index measurement criteria are in accordance with the King Codes on Corporate Governance of South Africa (King III). King III includes the concept of CSI into corporate governance, together with business ethics and integrated sustainability reporting. King III establishes standards of corporate governance and measurement against the triple bottom line of economic (profit), social (people) and environmental (planet) achievements. King III requires that organisations report on issues including ethics, social transformation, and socially and environmentally responsible investment. King III further extends its scope on corporate governance to contain -- as a core philosophy -- ethical leadership, sustainability and corporate citizenship, highlighting the interconnectedness of these concepts. Compliance with King III requires an annual integrated report that includes the impact of the organisation in the economic, environmental and social areas. Understandably corporates need to carefully consider the holistic integration of sustainable practices into their business strategy to allow for the natural evolution of a future sustainable South Africa.

The number of companies achieving inclusion in the JSE's SRI Index is indeed good news. We need to celebrate these achievements, as well as acknowledge their effort and commitment to continue this critical work. Indeed, we acknowledge this type of work is not only being done by the major corporates, there are numerous Non Profit Organisations (NPOs) that also play their part in the CSI arena, often in more challenging circumstances than their larger counter-parts. The requirements as set out legislatively, including the recommendations found in King III are completely achievable, as clear guidelines on organisational requirements and practices have been provided. Ultimately – and mainly through the processes established by government – thousands of lives have been changed as a result of these collective efforts.

However, notwithstanding the progress to date, a number of questions still remain:

- **Corporates**
How do corporates go about the integration of sustainable practices as part of their strategy? What are the measures used to determine the level of sustainability achieved for the organisation and employees? Are these measures reliable and valid to ensure that sustainability is achieved?
- **Non Profit Organisations (NPOs)**
How sustainable are the practices of the 102 461 registered NPOs, the majority of whom are heavily dependent on donor funding, operating in South Africa? How do we empower more NPOs to become more sustainable and less dependent? How do we ensure more compliance within NPOs with respect to corporate governance?
- **Beneficiaries**
How are the beneficiaries lives impacted -- positively or negatively -- by third party interventions? Are these changes leading to an uplifted, empowered sustainable community or are they becoming more dependant by hand outs?

These are simple, yet critical questions to ensure a return on investment is achieved for all the stakeholders in the CSI equation. Whilst the progress to uplift communities has arguably been too slow, we may need to adopt a more strategic approach to ensure that we build models that support a more rapid migration from 'aid' to 'trade.'

Perhaps more public-social interventions are required to ensure there's a more aligned, and concerted effort being taken by the role players, and where there's more focused attention to specific socio-economic challenges through partnerships.

Going forward, we all need to expedite the changes we believe are important to 'normalise' our country and its social ills. The CSI challenges surely cannot be addressed by a few, whilst others remain spectators paying lip service to this mammoth task of becoming a proud and sustainable nation.

References:

1. Johannesburg Stock Exchange: SRI Index – Background and selection criteria 2011
2. Sharlene Ramlall, (2012), "Corporate social responsibility in post-apartheid South Africa", Social Responsibility Journal, Vol. 8 Iss: 2 pp. 270 - 288

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CGF is a Proudly South African company that specialises in conducting desktop research on Governance, Risk and Compliance (GRC) related topics. The company has developed numerous products that cover GRC reports designed to create a high-level awareness and understanding of issues impacting a CEO through to all employees of the organisation.

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