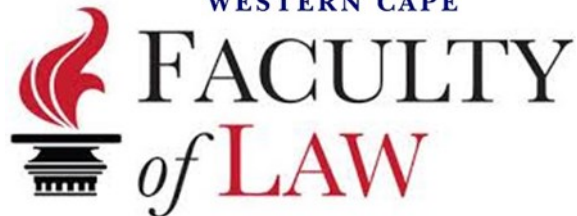




UNIVERSITY *of the*
WESTERN CAPE



**CORPORATE SOCIAL RESPONSIBILITY IN SOUTH AFRICA:
HOW CORPORATE PARTNERSHIPS CAN ADVANCE THE SUSTAINABILITY
AGENDA**

**RESEARCH PAPER SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE LL.M DEGREE,
UNIVERSITY OF THE WESTERN CAPE**

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“uMuntu ngumuntu ngabantu”, ‘I am because you are; you are because we are.’

ACKNOWLEDGMENT

I wish to thank the following people for making this research paper possible:

Irma, my wife, who was always there for me, always fair, with love and understanding, as well as my two sons, Adam & Noah who didn't cry too much while their father was studying and needed his alone time, this research paper is dedicated to you;

My father, Joseph, mother, Georgina and sisters Estelle and Yolonda who always had faith in me, even when I didn't; and lastly

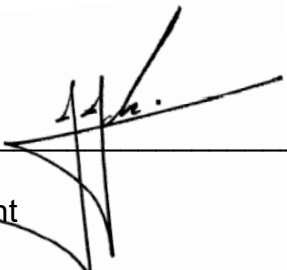
My Supervisor Professor Riekie Wandrag, for all her superhuman patience and guiding wisdom...thank you.



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KEY WORDS

Corporate Sustainability; Corporate Social Responsibility; Corporate Governance; Corporate Management; Corporate integration; Corporate Partnerships, Stakeholder analysis, Corporate identity.



SUMMARY OF THE STUDY

Corporate Social Responsibility (CSR) is not a new issue. There has and will always be the need for organisations to make profits and the needs of society. CSR has been considered more strongly than ever since the early 1990's, building on a trend that had been growing since the start of the 20th century. CSR broadly refers to all of an organization's impacts on society and the need to deal responsibly with the impacts on each group of stakeholders.

The King IV Report on Governance for South Africa 2016 encapsulates the idiosyncratic South African context of CSR. In the African context these moral duties are manifested in the concept of *Ubuntu* which is captured in the expression '*uMuntu ngumuntu ngabantu*', 'I am because you are; you are because we are'. This model being the premise upon which the CSR partnership is researched herein. Ever since the publication of the King Reports on Corporate Governance, South African businesses have sharpened their focus on their commitment to the 'triple-bottom-line'.¹ It is impossible for organizations to ignore the impact of social, ethical and environmental issues on their business and the economy and the cost of neglecting these issues will be high.

CSR has gained increasing prominence as a result of increased stakeholder demands, limitations of government and civil society to address complex societal issues, and the realization by most businesses that their sustained success depends on their ability to address local sustainable development challenges. Corporate sustainable development, despite not being a business' core responsibility, is doubtful to be achieved without the support of other businesses as they represent the productive resources of the economy. Although there is consensus that businesses have a vital role to play in addressing sustainable development challenges, companies still have a responsibility to more traditional elements of what constitutes business success. In this regard companies have to meet somewhat conflicting expectations of markets and stakeholders, the economic bottom line being a dominant factor in decision making. Companies therefore may not be able to meet the level of resources

¹ Defined as an expanded baseline for measuring a company's performance which includes, in addition to the traditional financial yardstick, an accounting of the impact of their activities on society and the environment.

essential to achieve the scale and impact so as to address the challenges of these competing priorities.

For business to effectively move the sustainability agenda forward, there is a need for a systemic approach, as sustainability cannot succeed in an unsustainable system. In order to achieve the scale, speed and impact necessary, an integrated approach that leverages key role players is critical to drive change and support sustainability. It is in this regard that this research paper will explore, the wider definition of regulation 43(5) (a) (ii) (bb) published in relation to the Companies Act and whether it provides for corporate partnerships, if so, does it achieve contributions to community development and does this advance the corporate sustainability agenda.



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CHAPTER ONE

1. INTRODUCTION

1.1 Background

Corporate sustainability or corporate social responsibility (“CSR”) are used interchangeably in this research paper as they share a parallel vision, namely to “balance economic responsibilities with social and environmental ones”.² CSR has gained increasing prominence as a result of increased stakeholder demands,³ limitations of government and civil society to address complex societal issues,⁴ and the realization by most businesses that their sustained success depends on their ability to address local sustainable development challenges. Effectively, corporate sustainable development, despite not being a business’ core responsibility, is unlikely to be achieved without the support of other businesses as they represent the “productive resources of the economy”.⁵

It must be noted that CSR in South Africa is no longer merely a “nice-to-have” as it finds itself referenced expressly in law and regulations to the *Companies Act No. 71 of 2008*. The extent which CSR now finds itself amongst issues to be taken seriously by boards of directors is evidenced by the growing amount of attention being paid by companies to determine the scope and ambit of their corporate social responsibilities so as to ensure sustainable development. For the purpose of this study, “sustainable development” is defined as “meeting the needs of the present generation without compromising the ability of future generations to meet their own needs”.⁶ These challenges are complex, interconnected, and dynamic and include, but are not limited to, climate change, political instability, unemployment, limited natural resources and income disparity.

² Agénor P & Montiel PJ *Development Macroeconomics* 3 ed (2008) 2.

³ Kiron D, Kruschwitz N, Haanaes K & Von Streng Velken I ‘Sustainability Nears a Tipping Point’ (2012) 53 (2) *MIT Sloan Management Review* 69.

⁴ Senge PM, Lichtenstein BB, Kaeufer K, Bradbury H & Carroll JS ‘Collaborating For Systemic Change’ (2007) 44 *MIT Sloan Management Review* 48.

⁵ Barkemeyer R, Holt D, Preuss L & Tsang S ‘What Happened to the Development in Sustainable Development?’ (2014) 22 (1) *Sustainable Development* 16.

⁶ Blowfield M & Murray A *Corporate Responsibility* 2 ed (2011) 61.

The late 1990s saw many companies launch their first sustainability initiatives following the 1992 United Nations Conference on Environment and Development in Rio de Janeiro.⁷ This conference congregated around environmental, economic and social issues. This approach usually addressed “low hanging fruit” through expressing good intentions or quick fixes to sustainability challenges, positioned as cost cutting or risk mitigation. Examples of this being waste minimization and more efficient use of energy. These primarily once-off or opportunistic efforts often times strained the relationships between business sectors.⁸

For purposes of dealing with CSR in a South African context, the guiding principles are appropriately summarized in The King Report on Governance for South Africa 2016 (“The King IV Report”), which will take effect as of the 1st April 2017. One principle which has been identified in The King Report poignantly captures the distinctively South African context of CSR.

In the African context moral duties find expression in the concept of Ubuntu which is captured in the expression ‘*uMuntu ngumuntu ngabantu*’, ‘I am because you are; you are because we are’.⁹ Simply put, Ubuntu means humaneness¹⁰ and the philosophy of Ubuntu includes mutual support, respect, interdependence, unity, collective work and responsibility. The principle of Ubuntu involves a common purpose in all human endeavour and is based on service to humanity”.¹¹ Although there is a general consensus that businesses have a vital role to play in addressing sustainable development challenges, companies still have a responsibility to more traditional elements of what constitutes business success.

⁷ Stoughton AM & Ludema J ‘The Driving Forces of Sustainability’ (2012) 25 *Journal of Organizational Change Management* 501 517.

⁸ Kiron D, Kruschwitz N, Haanaes K & Von Streng Velken I ‘Sustainability Nears a Tipping Point’ (2012) 53 (2) *MIT Sloan Management* 5.

⁹ The King IV Report Institute of Directors in Southern Africa 24.

¹⁰ Cilliers J ‘In Search of Meaning Between *Ubuntu* and *Inte*: Perspectives On Preaching In Post-Apartheid South Africa’ (2008) *Societas Homiletica* 1.

¹¹ See page 23 of The King III Report on Corporate Governance.

In this regard companies have to meet somewhat conflicting expectations of markets and stakeholders¹², that is, with the economic bottom line being a dominant factor in decision making.¹³ Companies therefore may not be able to meet the level of resources required to achieve the scale and impact needed to address the challenges of these competing priorities.¹⁴ The King IV Report has contains a few fundamental changes and has moved away from the “apply or explain” model to the “apply and explain” model¹⁵, this demonstrates progression to a more “compulsory” implementation of its principles as oppose to its predecessors.

Despite the positive uptake of corporate sustainability over the years by progressive companies, which focused on addressing critical business issues that encompassed complex relationships and activities¹⁶. There nonetheless remains valid concerns that sustainability programs in a large number of organizations today have reached a plateau.¹⁷ They are caught in a cycle of “pilot paralysis”¹⁸ due to the focus on a number of individual, small scale, ad-hoc projects that have an incremental impact on sustainability metrics. Although often times unintended, this “silo approach” has resulted in broader systemic consequences and adverse side effects, with some policies not only failing to solve sustainability challenges, but actually causing them.¹⁹ In order to achieve the scale, speed and impact necessary, an integrated approach that leverages key role players is critical to drive change and support sustainability.

1.2 Problem Statement

1.2.1 Does the current South African legal framework make provision for the CSR sustainability agenda?

¹² Agénor P & Montiel PJ *Development Macroeconomics* 3 ed (2008) 2.

¹³ Peter AC, Carol S, ‘The Shift Needed for Sustainability’ (2011) 18 *The Learning Organization* 75.

¹⁴ Peter AC, Carol S, ‘The Shift Needed for Sustainability’ (2011) 18 *The Learning Organization* 73.

¹⁵ The King IV Report Institute of Directors in Southern Africa 24.

¹⁶ Kiron D, Kruschwitz N, Haanaes K & Von Streng Velken I ‘Sustainability Nears a Tipping Point’ (2012) 53 (2) *MIT Sloan Management* 6.

¹⁷ Hayward R, Lee J, Keeble J, McNamara R, Hall C & Cruse S ‘The UN Global Compact-Accenture CEO Study on Sustainability’ (2013) *Architects of a Better World* 12.

¹⁸ Hayward R, Lee J, Keeble J, McNamara R, Hall C & Cruse S ‘The UN Global Compact-Accenture CEO Study on Sustainability’ (2013) *Architects of a Better World* 11.

¹⁹ Hecht A, Fiksel J, & Moses M ‘Working toward a Sustainable Future’ (2014) *Sustainability Science, Practice, & Policy* 67.

Although research has been conducted on sustainability partnership and its role in addressing complex and systemic issues²⁰, current resource material points to a clear need for research on the statutory compliance with and implementation of King IV Report from a broader South African perspective. This research notes the legal framework now in place to address CSR and how corporate citizens are required to take certain steps to address their social responsibilities not only in the context of what may have been done, but what is now legally required of them.

The meaning and implications of the provisions of the Companies Act²¹ dealing with CSR are as yet unknown, as the Companies Act together with the relevant regulations are a fairly contemporary piece of legislation in South Africa.. Despite the comprehensive changes brought about by the Companies Act, no express reference is made to CSR. As long as no legal requirement is set to integrate CSR issues into business decision-making and governance structures both internally and externally, businesses will not be legally obliged to act in a socially responsible manner.²² Additionally, for the purposes of this research paper, the Companies Act²³ provides no clear definition for CSR partnerships, it does however provide guidance on what should be taken into consideration when reporting on good corporate citizenship. One of the important and most relevant contributions of the Companies Regulations²⁴ to embedding CSR in the corporate operations is the reference to contributions to community development in regulation 43(5) (a) (ii) (bb)²⁵.

1.2.2 The “Good Corporate Citizen”

The premise of the abovementioned regulation is that a good corporate citizen contributes to the development of the communities in which its activities are predominantly conducted or within which its products or services are

²⁰ Kiron D, Kruschwitz N, Haanaes K & Von Streng Velken I ‘Sustainability Nears a Tipping Point’ (2012) 53 (2) *MIT Sloan Management* 11.

²¹ The Companies Act 71 of 2008 (as amended).

²² *Minister of Water Affairs and Forestry v Stilfontein Gold Mining Company* 2006 (5) SA 333 (W).

²³ The Companies Act 71 of 2008 (as amended).

²⁴ GN 351 *Government Gazette* 34239 of 26 April 2011.

²⁵ GN 351 *Government Gazette* 34239 of 26 April 2011.

predominantly marketed.²⁶ The focus on community development is in line with the developmental nature of CSR, in terms of which businesses attempt, through their CSR initiatives, to contribute to the development of communities. Within this model CSR implies a continuous education process through which organizations learn how to deal with increasingly complex issues with an progressively wide range of stakeholders.²⁷

Companies must learn how far they need to stretch their responsibilities, what issues to take up, how to give meaning to those issues, and how to successfully combine economic, social, as well as environmental strategies.²⁸ Where companies have interacted mainly with shareholders, its customers, and local regulators, CSR requires the involvement of all kinds of actors, perhaps from outside their usual production and consumption systems. The central legal question this research will explore is, does the wider definition of regulation 43(5) (a) (ii) (bb) include corporate partnerships; if so does it achieve contributions to community development and does this advance the corporate sustainability agenda?



1.3 Purpose of the research

Corporate Partnerships used to advance the sustainability agenda include one or more of the following actors, being businesses, government and civil society, with the aim of addressing what Pinkse & Kolk²⁹ refer to as “resource gaps”. CSR Partnerships also referred to as CSR collaborations can be described as a mutually beneficial and well-defined relationship entered into by two or more organizations to achieve common goals.³⁰

²⁶ Nijhof A & De Bruijn T ‘Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options’ (2008) *Management Decision* 142.

²⁷ Nijhof A & De Bruijn T ‘Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options’ (2008) *Management Decision* 147.

²⁸ Nijhof A & De Bruijn T ‘Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options’ (2008) *Management Decision* 144.

²⁹ Pinkse J & Kolk A ‘Addressing the Climate Change - Sustainable Development Nexus: The Role of Multi-stakeholder Partnerships’ (2012) 51(1) *Business & Society* 176 210.

³⁰ Gray, B. & Stites, J.P ‘Sustainability through Partnerships: Capitalizing on Collaboration’ (2013) 19. Available at : <http://nbs.net/wp-content/uploads/NBS-Systematic-Review-Partnerships.pdf>.

In other words different actors collaborate because they lack critical competencies they cannot develop on their own or in a timely fashion. Internationally, forward thinking organizations are driving sustainability as an engine for innovation, growth, competitive advantage and differentiation. Through the adoption of large scale collaborative projects, with value creation at its heart, companies that aim to address sustainable development priorities are beginning to demonstrate how business impact can be scaled “beyond incremental advances and efficiency gains”.³¹

In the South African context, one of the questions facing local business is “How can businesses collaborate effectively and legitimately to drive collective action for sustainability?”³² If companies in South Africa are to use corporate partnerships effectively and efficiently to achieve the objectives of their corporate sustainability programs and contribute to sustainable development, it is important to understand the dynamics and complexities when engaging with different stakeholders during the partnership process.

The benefits of collaboration, although varied and dependent on the initiative, can include, the development of standards and promoting these as best practices; information sharing ; a base of power able to influence key decision makers or influencers such as policy makers, suppliers; the sharing of costs; and mitigation of risks³³ which will be elaborated on further in this paper. This is despite a relationship that may have caused prolonged unease in the past, due to suspicions of businesses using such partnerships as “thinly veiled efforts to legitimize a regime of business self-regulation”.³⁴ That being said, sustainable development challenges are unlikely to be tackled by the efforts of a few progressive companies; broad scale collective action is required to reverse the current unsustainable trends.³⁵ This research paper aims to prove that emphasis on corporate partnerships are justified and presents arguments for when certain forms of corporate partnership involvement are required

³¹ Hayward R, Lee J, Keeble J, McNamara R, Hall C & Cruse S ‘The UN Global Compact-Accenture CEO Study on Sustainability’ (2013) *Architects of a Better World* 12.

³² Hamann R, Meyer N & Schulschenk J. ‘The Value of Vision: Sustainability Challenges for South African Businesses in 2013’ (2013) 4.

³³ Kiron D, Kruschwitz N, Haanaes K & Von Streng Velken I ‘Sustainability Nears a Tipping Point’ (2012) 53 (2) *MIT Sloan Management* 7.

³⁴ Reed AM & Reed D ‘Partnerships for Development: Four Models of Business Involvement’ (2009) 90 *Journal of Business Ethics* 3 37 4.

³⁵ Hecht A, Fiksel J, & Moses M ‘Working Toward a Sustainable Future’ (2014) 10 (2) *Sustainability Science, Practice, & Policy* 65 75 73.

1.4 Research methodology

As a first phase, in order to gain a thorough understanding of the complexities of the topic, secondary research is conducted into existing literature on corporate sustainability and the role that corporate partnerships can have in addressing the challenges faced by businesses. This paper will determine theory and practice, emphasising the necessity of corporate partnerships in embedding social issues in the strategies and day-to-day operations of organisations.

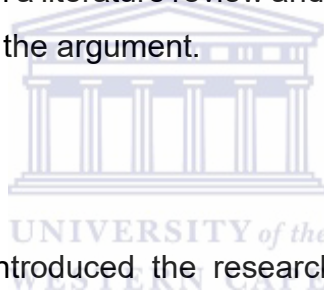
For this a review of literature on the strategies used for CSR must be built upon and analysed as to how these strategies relate to partnership involvement. Therefore this paper is in the tradition of theory construction and mainly conceptual in nature with a literature review and theoretical analysis as the main methods for developing the argument.

1.5 Chapter Outline

1.5.1 **Chapter One:** Introduced the research objectives by looking at the background, importance and significance in CSR, the need for CSR partnerships particular to the South African context.

1.5.2 **Chapter Two:** Explores the CSR landscape in South Africa providing a macro view of CSR and how it is defined. It further examines the major arguments for and against CSR in isolation and integrated CSR partnerships with the latest thinking around using partnerships to advance corporate sustainability.

1.5.3 **Chapter Three:** Will examine the current sustainable development of CSR in the South African context taking into account factors such as, *inter alia*, climate change, political instability, unemployment, limited natural resources and income disparity.



1.5.4 **Chapter Four:** Focuses on a study of 3 best practice examples of businesses in South Africa which have advanced Corporate Citizenship while still meeting the conflicting expectations of markets and stakeholders.

1.5.5 **Chapter Five:** Considers the recommendations for Corporate Social Responsibility in South Africa and to what extent stakeholder involvement is necessary for CSR and propose recommendations for furthering the King IV Report and section 43(5) (a) (ii) (bb) of GNR 351 *Government Gazette* 34239 of 26 April 2011, to define and prescribe corporate partnership to advance companies sustainability agenda.



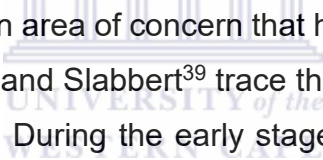
CHAPTER TWO

2. MACRO OVERVIEW OF CORPORATE SOCIAL RESPONSIBILITY

2.1 INTRODUCTION

Corporate social responsibility is on the list of progressive concepts which organizations need to understand and address, as it carries significant implications for business success.³⁶ This chapter explores the CSR landscape in South Africa providing a macro view of CSR and how it is defined. It further examines the major arguments for and against CSR in isolation as well as the integrated CSR partnerships, with the latest philosophy around using partnerships to advance corporate sustainability.

2.2 MACRO OVERVIEW



Social responsibility is an area of concern that has existed since the early days of mankind.³⁷ Cannon³⁸ and Slabbert³⁹ trace the origins of CSR back as far as the industrial revolution. During the early stages of the industrial revolution a few enlightened factory owners introduced worker welfare funds and supported laws to regulate factory work, oversee health and safety, protect chimney sweeps from exploitation, and control working conditions for poor children.⁴⁰ Needless to say, there has always been tension between the need for business to make profits and the needs of society. But the social responsibility of business has been considered more intensely than ever since the early 1990s, building on a trend that had been growing since the start of the 20th century.⁴¹ It is only in the last three decades, however that great emphasis has emerged in this area. This has resulted in growing interaction between government, business and society as a whole.⁴²

³⁶ Cannon T *Corporate Responsibility* (1992) 1.

³⁷ Slabbert JA, Prinsloo JJ, Swanepoel BJ & Backer W *Managing Employment Relations in South Africa* (1998) 1.

³⁸ Cannon T *Corporate Responsibility* (1992) 2.

³⁹ Slabbert JA, Prinsloo JJ, Swanepoel BJ & Backer W *Managing Employment Relations in South Africa* (1998) 16.

⁴⁰ Cannon T *Corporate Responsibility* (1992) 4.

⁴¹ Hopkins M & Cowe R 'Corporate Social Responsibility: is there a business case?' (2004) *Teach Accounting* 6.

⁴² Hopkins M & Cowe R 'Corporate Social Responsibility: is there a business case?' (2004) *Teach Accounting* 7.

In the past, business has had to concern itself primarily with the economic results of its decisions; in light of new legislation business must also consider and weigh the legal, ethical, moral, and social impact as well as the repercussions of each of its decisions.⁴³ CSR encompasses an array of meanings and intended applications that have undergone substantial modifications over time with the Companies Act and amendments as well as the King Reports and most recently the King IV report.⁴⁴

2.2.1 Business defined

Business is composed of the collection of private, commercially profit-orientated organizations that range in size from the single proprietor to the corporate giants and all the small and medium-sized organizations in between.⁴⁵ However, in spite of this broad coverage of businesses, much of the emphasis of CSR is borne by the "big" organizations and "selected" industries.⁴⁶ According to Maynard⁴⁷ firstly, business is arguably the most powerful institution of our society and the major force affecting world conditions, and secondly, individual business corporations will survive only if they address individual and societal needs and become more effective in their processes.⁴⁸

Even though much emphasis is focused on the large corporations, sight should not be lost of the fact that many of the same problems that exist for large organizations also exist for the small and medium-sized businesses. Every business organization should be thought of as a social enterprise whose existence and decisions can be justified only in so far as they serve the public or social purpose.⁴⁹ This points to the fact that organizations have to take the social environment and other businesses in the industry in which they operate into account.

⁴³ Cannon T *Corporate Responsibility* (1992) 4.

⁴⁴ The King IV Report on Corporate Governance for South Africa 2016.

⁴⁵ Maynard HB & Mehrtens SE *The Fourth Wave Business in the 21st Century* (1995) 1.

⁴⁶ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 4.

⁴⁷ Maynard HB & Mehrtens SE *The Fourth Wave Business in the 21st Century* (1995).

⁴⁸ Maynard HB & Mehrtens SE *The Fourth Wave Business in the 21st Century* (1995) 17.

⁴⁹ Slabbert JA, Prinsloo JJ, Swanepoel BJ & Backer W *Managing Employment Relations in South Africa* (1998) 16.

2.2.2 Society defined

Society may be defined as a grouping of people having certain common interests, manner of life, activities, purpose, values, traditions, or goals and objectives.⁵⁰ A society can thus be composed of individuals, small groups of people such as found in a local Home Owners Association, or larger organizations such as found in a local or provincial government, or the country as a whole.⁵¹ These groups or societies can be working for the same or similar goals and objectives while some have overlapping goals and objectives, be in direct opposition to one another, or any combination thereof.⁵² Most of these groups serve their own self-interests and their power is widely decentralized. This is a pluralistic society that maximizes freedom of expression, action, and responsibility. This in turn results in a widely diversified set of loyalties to many different causes and organizations.⁵³

Since there are so many different societies, more popularly referred to today as "stakeholders", business is buffeted on all sides to go in different directions as each group or society dictates its wishes and desires. It can therefore be argued that CSR has in great measure developed in response to consumer demands and expectations.

2.2.3 Corporate Social Responsibility defined

From the above descriptions it is clear that CSR involves primarily two major participants, one being business and the other being society (i.e. "stakeholders"). The concept of social responsibility has been with us since the beginning of mankind and has slowly evolved to its present state.⁵⁴ The first comprehensive approach to modern era social responsibility was ushered in during 1953 with the publication of Howard R. Bowen's book "Social Responsibilities of the Businessman".⁵⁵

⁵⁰ Peck M *The Different Drum - Community Making and Peace* (1987) 29.

⁵¹ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 5.

⁵² Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 5.

⁵³ Maynard HB & Mehrtens SE *The Fourth Wave Business in the 21st Century* (1995) 100.

⁵⁴ Slabbert JA, Prinsloo JJ, Swanepoel BJ & Backer W *Managing Employment Relations in South Africa* (1998) 7.

⁵⁵ Howard RB *The Social Responsibilities of the Businessman* (1953).

Bowen felt that, public responsibility, social obligations, and business morality were synonyms for corporate social responsibility.⁵⁶ Accordingly CSR may be defined as the obligation toward society assumed by business. The socially responsible organization maximizes its positive effects on society and minimizes its negative effects.⁵⁷ The economic responsibilities of business are to produce goods and services that society wants at a price that perpetuates the business, and satisfies its obligations to investors. Legal responsibilities are, at the very least, to obey local, provincial, and relevant international laws. Ethical responsibilities include meeting other societal expectations, not written as law. Finally, voluntary responsibilities are additional behaviours and activities that society finds desirable and that the values of the business dictate.⁵⁸ To simplify these distinctions, one can consider economic and legal responsibilities to be those that society requires of organizations; ethical responsibilities to be expected from business; and voluntary responsibilities to be desired from business.

Cronje⁵⁹ defines CSR as the behaviour of a business toward stakeholders such as consumers, suppliers, competitors, employees, owners or shareholders and the community at large. Being socially responsible essentially means that an organization tries to reconcile the interests of its different stakeholders with each other.⁶⁰ Coldwell⁶¹ states that CSR is management's acceptance of the obligation to consider profit, customer satisfaction, and societal wellbeing of equal value in evaluating the organisations performance.⁶²

Slabbert's definition of CSR is the intelligent and objective concern for the welfare of society that restrains individual and corporate behaviour from the ultimate destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment.⁶³

⁵⁶ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 3.

⁵⁷ Bateman TS & Snell SA *Management - Building Competitive Advantage* 4 ed (1999) 164.

⁵⁸ Bateman TS & Snell SA *Management - Building Competitive Advantage* 4 ed (1999) 164.

⁵⁹ Cronje GJ, du Toit GS & Motlatla MDC *Introduction to Business Management* (2000).

⁶⁰ Cronje GJ, du Toit GS & Motlatla MDC *Introduction to Business Management* (2000) 273.

⁶¹ Coldwell DAL 'Perceptions and Expectations of Corporate Social Responsibility: Theoretical Issues and Empirical Findings' (2001) 32 (1) *SA Journal of Business Management* 40 55.

⁶² Coldwell DAL 'Perceptions and Expectations of Corporate Social Responsibility: Theoretical Issues and Empirical Findings' (2001) 32 (1) *SA Journal of Business Management* 40 55.

⁶³ Slabbert JA, Prinsloo JJ, Swanepoel BJ & Backer W *Managing Employment Relations in South Africa* (1998) 16 4.

The King Committee on corporate governance qualifies the notion of CSR as "A well-managed company will be aware of, and respond to, social issues, placing a high priority on ethical standards."⁶⁴ This is further illustrated in the King IV report in which CSR focuses on developing strategies so that success and business performance can be measured in the economic, social and environmental context, referring to the 'triple context' to denote the three dimensions: the economic, society and the natural environment. These three dimension should be viewed as intertwined and an integrated whole.⁶⁵

Considering the various definitions and views of CSR mentioned above it is common cause that CSR is a concept in which organizations integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Today there is a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximizing short-term profits, but instead through collaborative market-oriented accountable behaviour.⁶⁶ Organizations should take cognisance that they can contribute to sustainable agenda development by partnering their operations in such a way so as to enhance economic growth and increase competitiveness whilst ensuring environmental protection and promoting corporate social responsibility.

2.3 CONTRASTING VIEWS

2.3.1 Major arguments supporting CSR

Today, to a greater extent than ever before, most societies support organizations becoming involved in CSR. Some of the popular arguments for organizations supporting CSR activities are:

⁶⁴ The King II Report on Corporate Governance for South Africa 2002 12.

⁶⁵ The King IV Report on Corporate Governance for South Africa 2016 11.

⁶⁶ Cronje GJ, du Toit GS & Motlatla MDC *Introduction to Business Management* (2000) 63.

- 2.3.1.1 It can and should improve the corporate and local image of businesses;⁶⁷
- 2.3.1.2 It is in the stakeholders best interest, by making communities a better place to live, it can entice efficient and happier employees to the organization who in turn will put out better products and increase profits;⁶⁸
- 2.3.1.3 It will help maintain and gain customers;⁶⁹
- 2.3.1.4 It will help prevent possible unpalatable and even destructive government regulations;⁷⁰
- 2.3.1.5 More and more investors prefer to invest in socially responsible organizations;⁷¹
- 2.3.1.6 To do good in order to do well, is to convert social needs and problems into profitable business opportunities;⁷² and
- 2.3.1.7 It is better to take some positive action than to take no action at all and ideally prevent the problems from occurring in the first place.⁷³

2.3.2 Major arguments supporting CSR partnerships

The CSR partnership relationship includes a commitment to a definition of mutual relationships and goals; a jointly developed structure and shared responsibility; mutual authority and accountability for success; and the sharing

⁶⁷ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 10.

⁶⁸ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 11.

⁶⁹ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 10.

⁷⁰ Cannon T *Corporate Responsibility* (1992) 31.

⁷¹ Cannon T *Corporate Responsibility* (1992) 31.

⁷² Cannon T *Corporate Responsibility* (1992) 31.

⁷³ Cannon T *Corporate Responsibility* (1992) 31.

of resources and rewards.⁷⁴ In this regard CSR partnerships can be divided into four major groups being:

- Company and NGO Collaborations

This is seen as the most traditional form of collaboration with notable examples including Coca Cola and WWF and Starbucks and Conservation International.

- Company and Company Collaborations

This a fairly recent phenomenon where companies are working together in areas where they are in direct competition. Ford and Toyota's collaboration on the development of an advanced new hybrid system is one such example.

- Single Industry Collaborations

This is where public, private and NGO actors from a single industry partner to achieve greater impact across a wider range of issues. A notable example of such a collaboration is the "Sustainable Apparel Coalition" which has seen many of the top names in apparel and footwear partnering to reduce the environmental and social impacts of their industry.

- Multi-Industry Collaborations

Single Industry collaborations see multi-actor partnerships formed across the boundaries of industry to tackle a single common issue. High profile examples include The Plant PET Technology Collaborative.⁷⁵

With the above in mind, the arguments for organizations supporting CSR partnerships are:

⁷⁴ Crime and Justice Institute at Community Resources for Justice *Implementing Evidence-Based Policy and practice in community corrections* 2 ed (2009) 47 55.

⁷⁵ Collaborating for a Sustainable Future (2013) *GlobeScan/Sustainability Survey 4*. Also available at: <http://www.globescan.com/news-and-analysis/press-releases/press-releases-2012/84-press-releases-2012/252-collaborating-for-a-sustainable-future.html>.

- 2.3.2.1 Organizations can define a problem to be solved or task to be accomplished that will result in a mutually beneficial outcome and seek agreements regarding a shared vision to develop system-wide commitment;
- 2.3.2.2 It will develop a unique purpose, by building concrete, attainable goals and objectives;
- 2.3.2.3 It will maintain the value of and exploit the unique strengths that each partner brings to the collaboration, creating a meaningful sense of accountability;
- 2.3.2.4 It will ensure open and frequent communication and establish formal and informal communication links to strengthen bonds;
- 2.3.2.5 It will develop an atmosphere of mutual respect, understanding, and trust that is shared between businesses as the purpose of collaboration is in each participant's self-interest;
- 2.3.2.6 It will help develop clear roles and policy guidelines, and utilize data to review and refine industry processes, norms, standards and outcomes;
- 2.3.2.7 It will create an environment of effective problem solving; and
- 2.3.2.8 It will ensure sufficient resources needed to maintain momentum.⁷⁶

⁷⁶ Crime and Justice Institute at Community Resources for Justice *Implementing Evidence-Based Policy and practice in community corrections* 2 ed (2009) 47 55.

2.3.3 Major arguments against CSR

The major and most prevalent view held against business actively participating in CSR is expressed in the following statement: "*There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase profits.*"⁷⁷ Other major arguments against an organization becoming involved in CSR activities are:

- 2.3.3.1 Society will be better off if it asked businesses only to maximize their efficiencies and thus lower costs;⁷⁸
- 2.3.3.2 It violates the policy of profit maximization, and as a result stockholders will suffer;⁷⁹
- 2.3.3.3 It will increase the price of the end item, and as a result all purchasers of the end item will suffer;⁸⁰
- 2.3.3.4 Most corporate executives lack the knowledge, perception, skills, and patience to deal with and solve society's problems;⁸¹
- 2.3.3.5 Businesses already have too much power. Increased activity in the social arena will only increase its power to remould society to their way of thinking⁸²; and
- 2.3.3.6 Social actions cannot be measured, so why participate in them?⁸³

⁷⁷ Sacconi L, Blair M, Freeman R, Vercelli A *Corporate Social Responsibility and Corporate Governance: The Contribution of Economic Theory and Related Disciplines* (2010) 131.

⁷⁸ Cannon T *Corporate Responsibility* (1992) 37.

⁷⁹ Cannon T *Corporate Responsibility* (1992) 37.

⁸⁰ Cannon T *Corporate Responsibility* (1992) 37.

⁸¹ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 11.

⁸² Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 11.

⁸³ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 12.

2.3.4 Major arguments against CSR Partnerships

It is argued that in a collaborative strategy business makes itself decidedly dependent on input from participating companies and have to deal with the unpredictable and occasionally diverging expectations.⁸⁴ It is further argued that without a firm perspective on the values of the various participating companies, it will be difficult to build the capacity to achieve mutual goals; develop structures and share mutual authority and accountability.⁸⁵

Other major arguments against an organization becoming involved in CSR partnerships are:

- 2.3.4.1 No control mechanisms to ensure that the responsibilities or expectations are met;⁸⁶
- 2.3.4.2 Stakeholders may run into difficulties defining their responsibilities, accountabilities and roles;⁸⁷
- 2.3.4.3 Currently the competency for having a dialogue with other stakeholders has not been fully developed, a company may find it difficult to engage in meaningful partnerships;⁸⁸
- 2.3.4.4 Collaboration and system change are very time consuming and resource intensive processes. They require constant attention and nurturing to maintain momentum;⁸⁹ and

⁸⁴ Nijhof A & De Bruijn T 'Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options' (2008) *Management Decision* 160.

⁸⁵ Nijhof A & De Bruijn T 'Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options' (2008) *Management Decision* 161.

⁸⁶ Nijhof A & De Bruijn T 'Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options' (2008) *Management Decision* 161.

⁸⁷ Nijhof A & De Bruijn T 'Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options' (2008) *Management Decision* 161.

⁸⁸ Nijhof A & De Bruijn T 'Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options' (2008) *Management Decision* 161.

⁸⁹ Crime and Justice Institute at Community Resources for Justice *Implementing Evidence-Based Policy and practice in community corrections* 2 ed (2009) 47.

2.3.4.5 Only organisations that have a dominant position in the partnerships for CSR value chain are probably powerful enough to put responsibility issues on the agenda of all parties in the value chain.⁹⁰

2.4 Modern philosophy around using partnerships to advance corporate sustainability.

CSR Partnerships can be simply put as businesses coming together to work toward a common vision. The collaborative process is regarded as the intention to move participants away from the traditional definition of power as control or domination, and toward a definition that allows for shared authority.⁹¹ This is observed as gaining greater results in accomplishments than would be achieved by individual organization working alone.

It would seem that more of these varieties will be seen in the next five years and other forms of collaboration should increase over the next five years. I am of the view that the advantages of CSR Partnerships extends collaboration over a broad set of issues and actors and has the ability to accelerate more sustainable business models.

2.5 Conclusion

The above evidences that the role of CSR partnerships initiatives is nuanced and many companies active in the field of CSR are attaining considerable environmental and societal results with involvement of partnerships.⁹² For businesses approaching CSR partnership from a “commercial case orientation” the role of stakeholders is obvious. In this perspective anticipating the expectations and claims of potential partnership is fundamental for managing issues and preventing reputation damage.

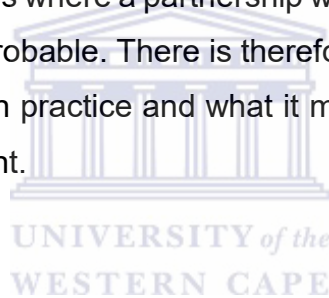
⁹⁰ Nijhof A & De Bruijn T ‘Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options’ (2008) *Management Decision* 162.

⁹¹ Crime and Justice Institute at Community Resources for Justice *Implementing Evidence-Based Policy and practice in community corrections* 2 ed (2009) 47.

⁹² Nijhof A & De Bruijn T ‘Partnerships for Corporate Social Responsibility: A Review of Concepts and Strategic Options’ (2008) *Management Decision* 78.

For companies approaching CSR partnership from a stewardship orientation however, the role of partnerships is less obvious and other roles and impacts can be expected from CSR Partnerships.⁹³

This would suggest certain important areas for future research. From a conceptual point-of-view, different results can be expected from companies working on CSR partnerships from a character orientation, business case orientation, or a stewardship orientation. Furthermore, this research paper proposes that due to the regulations or mechanisms behind the different strategies to CSR the relationships between partnerships can be highly problematic. First, this can be problematic since partnerships are potentially the biggest contributors to the “ideals” of CSR which in turn has the highest risk on diminishing the CSR legitimacy; and second, because businesses tend to get involved in CSR activities where a partnership with sound financial performance of the collaboration is probable. There is therefore a need to assess how these mechanisms work out in practice and what it means for the important issue of sustainable development.



⁹³ Anderson JW *Corporate Social Responsibility - Guidelines for Top Management* (1998) 34.

CHAPTER THREE

CURRENT SUSTAINABILITY REGULATIONS OF CSR IN THE SOUTH AFRICAN CONTEXT

3.1 INTRODUCTION

There are number of different mechanisms regulating the current sustainable development of CSR in South Africa. Such mechanisms range from voluntarily codes of conduct to guiding international regulations and binding regulations such as the Constitution⁹⁴ as well as Broad-Based Black Economic Empowerment (“BBBEE”).⁹⁵ For the sake of prominence particular to the South African context, this chapter will focus mainly on the incentivised regulations such as Broad-Based Black Economic Empowerment Act 53 of 2003, a uniquely South African binding CSR regulation, interwoven in the underlying values of the South African democracy which include inter alia, human dignity, equality and freedom. In order to achieve this, South Africa took various steps including the amendment of legislation, the development of Black Economic Empowerment initiatives, the creation of skills and educational programmes and economic growth policies.⁹⁶ Despite the broad changes brought about by the legislature no express reference is made to businesses social responsibility. And as long as no legal requirement is set to integrate CSR issues into their decision-making and governance structures businesses will not be legally obliged to act in a socially responsible manner.⁹⁷ Furthermore the Act provides no clear definition for CSR partnerships. It does however provide guidance on what should be taken into consideration when reporting on good corporate citizenship.

⁹⁴ The Constitution of the Republic of South Africa, 1996.

⁹⁵ Broad Based Black Economic Empowerment Act 53 of 2003.

⁹⁶ Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility In South Africa as practiced by South African and German Companies Southern African’ 12. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf.

⁹⁷ In *Minister of Water Affairs and Forestry v Stilfontein Gold Mining Company* 2006 5 SA 333 (W), the court, with reference to the King Report on Corporate Governance, 2002 (King II), noted that one of the characteristics of good governance is social responsibility. This particular case dealt with the issue of preventing water pollution in mining operations, and the court came to the conclusion that the relevant respondents acted irresponsibly by not addressing the issue of the water pollution. However, it should be noted that King II is not *per se* a legally enforceable instrument. It should also be noted that the entire chapter 1 of the King *Report on Governance for South Africa* (2009), commonly referred to as King III, is devoted to the issue of ethical leadership and corporate citizenship, in terms of which the board of a company is expected to provide effective leadership based on an ethical foundation.

One of the important and most relevant contributions of the Companies Regulations to embedding CSR in the corporate operations is the reference to contributions to community development in regulation 43(5) (a) (ii) (bb).

The South African approach towards CSR consists of a combination of policies and of the focus points of King IV,⁹⁸ the BBBEE scorecard and sector-related guidelines. Extra focus is put on leadership, business ethics, sustainable development, reporting and communication. Although the South African Companies Act⁹⁹ does not oblige companies to engage in CSR projects, the country's policy documents and King II, King III and King IV reports explicitly address the need and relevance for corporations to acknowledge stakeholders and to adopt a "triple-bottom line" approach.¹⁰⁰

In particular, the King reports constitute accepted guides of best practices in corporate governance in South Africa, focusing on social, environmental and economic concerns. It must be noted that the King IV Report has moved to a quasi-mandatory set of principles and takes an "apply and explain"¹⁰¹ approach as opposed to its predecessor King III which applied an "apply OR explain" approach; the former allows stakeholders to make informed decisions as to whether or not good governance outcomes are being achieved.

According to research, not all CSR efforts in South Africa result from voluntary or indirect business decisions and interestingly enough some of them are the product of corporate compliance with the BBBEE legislation.¹⁰² In this regard the BBBEE Act forces South African-based companies to consider all stakeholders when performing their internal and external operations in an effort to eradicate social and economic inequalities inherited from the Apartheid era and to help previously discriminated groups to actively participate in the country's economy.¹⁰³

⁹⁸ The King IV Report on Corporate Governance for South Africa 2016.

⁹⁹ 71 of 2008 (as amended).

¹⁰⁰ Dekker A & Esser I 'The Dynamics of Corporate Governance in South Africa: BBBEE and the Enhancement of Good Corporate Governance Principles' (2008) *Journal of International Commercial Law and Technology*. Also available at <http://www.jict.com>.

¹⁰¹ The King IV Report on Corporate Governance for South Africa (2016) 7.

¹⁰² Sustainability South Africa. King II Report on Governance in South Africa and King III report. Also available at: <http://www.sustainabilitysa.org>.

¹⁰³ See section 11 (2) of the Broad Based Black Economic Empowerment Act, 2003.

Companies that refrain from complying with the BEE requirements can obtain negative ratings, therefore compromising their ability to operate in the country. Corporations should not only see BBEE as a way of ensuring black participation in the national economy, but also as a mechanism to empower rural and local individuals/communities and to support protected groups as part of their social responsibility programs and business related activities.¹⁰⁴ BBEE therefore relates to overall sustainability and focuses on ownership, management, employment equality, skills development, preferential procurement, enterprise development and socio-economic development. South African businesses score best on risk management and board performance, and poorest in reporting.¹⁰⁵

In addition to these public driven regulations, companies have also developed their own CSR policies. These policies determine the principles which companies are following and the programmes they have put in place suitable to their own specific criteria. It would seem that the main reasons for implementing CSR are for the good reputation of a company and its products, increased motivation and productivity of workers, understanding the society in which the company operates as well as contributions to sustainable development.¹⁰⁶ Although many South African companies are adhering to international standards and trends of CSR in response to both internal and external requirements, there is still plenty of room for growth.¹⁰⁷ In this regard an integrated approach that leverages key role players is critical to drive change and support sustainability. It is also clear that corporate compliance such as exercised via the BBEE legislation is key to drive this initiative. Particularly in South Africa, where major problems of economic and social inequality still prevail and where efforts are needed to ensure the equal access to basic goods and services, CSR could still develop and expand.

¹⁰⁴ Sustainability South Africa. King II Report on Governance in South Africa and King III report. Also available at: <http://www.sustainabilitysa.org>.

¹⁰⁵ Postma J *Making Business Sustainable: Corporate Social Responsibility in South Africa* (unpublished report Royal Embassy of the Netherlands 2011) 22.

¹⁰⁶ Aletter F, von der Burg K, Zanella I 'Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African' 13. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf.

¹⁰⁷ The King IV Report on Corporate Governance for South Africa (2016) 1.

Corporations should therefore be encouraged or in some instances made to comply to form partnerships with relevant stakeholders in an effort to expand the reach of its CSR actions and to serve local communities in a more efficient and impactful way.

3.2 KEY IMPLEMENTATION CHALLENGES TO THE SUSTAINABLE DEVELOPMENT OF CSR IN THE SOUTH AFRICAN CONTEXT

As illustrated earlier, the CSR agenda has been a part of the global debate on sustainability development for many decades and can contribute towards more inclusive development and the alleviation of poverty. Too often CSR programmes are centred on business-orientated objectives that are not fully integrated with the broader, stakeholder development plans. This chapter will briefly highlight how the current CSR Partnership agenda and its practice may be unsuited to effectively addressing and delivering sustainable development plans in South Africa.

In this regard, the key challenges are encountered mainly in the implementation process, and this is indicative of poor policy formulation. These implementation challenges have been recognised as lack of interpretation, management and co-operation with relevant stakeholder's and weak policy alignment¹⁰⁸, these challenges being illustrated herein below.

These weaknesses should be addressed through the application of legislative frameworks on development, particularly through the Companies Act¹⁰⁹ and the Companies Regulations.¹¹⁰ This could be achieved through having CSR policies strongly aligned with development plans, given that the broader CSR agenda also aims to promote sustainable development and economic growth.

¹⁰⁸ Besharati NA 'Platinum and Passes: The Impact of Mining Investments on Education Outcomes in South Africa' (2014) SAIIA 38.

¹⁰⁹ The Companies Act 71 of 2008 (as amended).

¹¹⁰ GNR 351 Government Gazette 34239 of 26 April 2011.

Thus, development policy frameworks may be of value in both directing and achieving the objective of CSR partnerships and the sustainability agenda. In this regard key implementation challenges have been identified, as illustrated herein below:

3.2.1 Co-ordination and co-operation

There is a lack of co-ordination and co-operation between companies and other relevant stakeholders. One of the major reasons for the implementation of CSR projects, as expressed by most business, is competition to improve the relevant company's image and reputation. In practice, this competition driven approach has obstructed joint planning and implementation efforts amongst stakeholders.¹¹¹ This implementation challenge was observed in Besharati's case study of Anglo American Platinum's CSI education projects in the Limpopo and North West provinces.¹¹²

Being motivated by competition may not necessarily have negative consequences for implementing CSI projects. However, this drive needs to be harnessed in a way that avoids mere implementation in the absence of coherent, integrated action involving all relevant stakeholders.

3.2.2 Alignment with development policy frameworks

Companies have generally failed to consult, co-ordinate and align their actions with those of the stakeholders particularly are the planning processes. The procedure undertaken by businesses are typically to sign a Memorandum of Understanding ("MOU") with the relevant stakeholders.¹¹³

¹¹¹ Hamann R 'Corporate social responsibility, partnerships and institutional change: The case of mining companies in South Africa' (2004) *Natural Resources Forum* 28.

¹¹² Besharati NA 'Platinum and Passes: The Impact of Mining Investments on Education Outcomes in South Africa' (2014) *SAIIA* 16.

¹¹³ Hamann R 'Corporate social responsibility, partnerships and institutional change: The case of mining companies in South Africa' (2004) *Natural Resources Forum* 3.

The expectation is that more comprehensive planning and consultation will occur at the lower level between businesses and the relevant stakeholders. However, as illustrated in the Beshrati case study, district and circuit managers in mining areas were not aware of, nor did they see, the MOU signed.¹¹⁴ This caused disengagement between the relevant role players, resulting in an uncoordinated, misaligned planning process. This further indicates the lack of an inclusive partnership involving all relevant stakeholders.

3.2.3 Monitoring and evaluation of CSR programmes

In the Anglo American Platinum¹¹⁵ case study, execution of its infrastructure projects at schools had not necessarily been thought through or had been implemented incorrectly. For instance, new science laboratories, libraries and toilets were rendered unusable due to no provision being made for running water. The provision of basic services such as water and electricity is the responsibility of local municipalities. This challenge may have been addressed had the business engaged in shared planning ahead of implementing the project, and undertaken the necessary follow-up with the municipal authorities responsible for providing water to the schools. However, at times local municipalities lack capacity to carry out their own key functions, such as providing water to communities.¹¹⁶ These monitoring tools would provide options and contingencies to better equip and implement the required provisions.

¹¹⁴ Beshrati NA 'Platinum and Passes: The Impact of Mining Investments on Education Outcomes in South Africa' (2014) SAI/A 41.

¹¹⁵ Farrell L, Mackres E and Hamann R 'A clash of cultures (and lawyers): A case study of Anglo Platinum and its Mogalakwena mine in Limpopo, South Africa' Corporate Governance in Africa Case Study. **Also available at:**

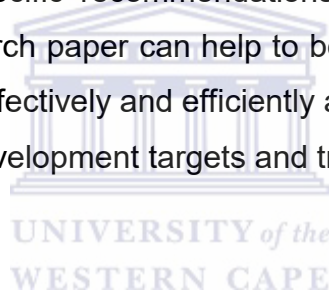
http://www.usb.ac.za/governance/Documents/pdfs/No.1_Anglo_case%20study%202009.pdf.

¹¹⁶ Rajak D *In Good Company: An Anatomy of Corporate Social Responsibility* (2011) 56.

3.3 Conclusion

CSR clearly has great potential in assisting with addressing sustainability challenges and meeting the development goals of a developing nation. However, the CSR agenda and practices face many challenges that work against the effective realisation of their stated CSR objectives. These challenges include the lack of co-ordination and co-operation with relevant stakeholders, weak policy alignment with key official development plans, and poor monitoring and evaluation once the projects have been initiated.

Given these challenges, this chapter has highlighted how the current CSR mechanisms and practice may be unsuitable for effectively addressing social problems and supporting the objectives of sustainable development plans. In light of the above, specific recommendations and best practical examples pointed to in this research paper can help to better direct the conduct of CSR partnerships towards effectively and efficiently advancing South Africa so as to meet its sustainable development targets and transformation objectives.



CHAPTER FOUR

THREE PRACTICAL EXAMPLES IN SOUTH AFRICA WHICH HAVE ADVANCED CORPORATE CITIZENSHIP

4.1 Introduction

Leading scholars, the media, policy makers, business leaders and working people around the world agree the age of corporate citizenship has arrived.¹¹⁷ Corporate citizenship is normally the 'go to' discipline for business leaders aiming to "re-inspire" their company, reframe the game, and create unconventional success.¹¹⁸

Today, business around the world recognises obligations not only to shareholders, but also to multiple stakeholders; and sees that alongside its traditional role in achieving profits, it also has social and environmental responsibilities. Popular publications such as *The Economist* and *The Wall Street Journal* feature stories, studies and even special issues on the many facets of corporate citizenship.¹¹⁹ This is one sign of the growing interest in, and importance of, this movement. Whether the term in use is corporate citizenship, social responsibility, CSR, sustainability or some combination thereof, it is making its way forward on the agenda of most companies and countries.¹²⁰

In this regard the development of corporate citizenship in South Africa was heavily influenced by the country's experience with apartheid. While this period saw business implicated in the exploitation of black labour, as well as low occupational health, safety, and environmental standards, it also gave rise to early manifestations of voluntary business initiatives to contribute to government policy changes and social development.¹²¹

¹¹⁷ Corporate Citizenship around the World: 'How Local Flavour Seasons the Global Practice' 1.

¹¹⁸ McIntosh M *Globalization and Corporate Citizenship: The Alternative Gaze, A Collection of Seminal Essay* (2015) 65.

¹¹⁹ Corporate Citizenship around the World: 'How Local Flavour Seasons the Global Practice' 2.

Available at: http://www.cccdeutschland.org/sites/default/files/GERN_for_web.pdf.

¹²⁰ Corporate Citizenship around the World: 'How Local Flavour Seasons the Global Practice' 1.

Available at: http://www.cccdeutschland.org/sites/default/files/GERN_for_web.pdf.

¹²¹ The King Report III on Governance for South Africa, 2009.

In the South African context, corporate citizenship implies an ethical relationship between the company and the society in which it operates.¹²² Today, philanthropy is an expected norm and a poorly developed legal infrastructure has created an environment where a company's legal responsibilities have become less important to the public than its philanthropic activities.¹²³ The notion of corporate citizenship is not new, but King IV gives it more credence and concrete expression than ever before, while persistently highlighting the unbroken chain that links ethical leadership, company strategy and sustainability.¹²⁴

To this end, leaders are expected to support and understand the full implications of the stakeholder inclusive model put forward in the previous King reports and accentuated in King IV.¹²⁵ As mentioned earlier in this research paper, the driving forces and motivations for good Corporate Citizenship can be found in government regulations, particularly “Black Economic Empowerment” policies and the King Reports on corporate governance, business reputation, as determined by performance assessments and external rankings and the growing awareness of socially responsible investment in South Africa. In the past Corporate Citizenship in South Africa was largely limited to corporate social investment, interpreted as strategic philanthropy focused on education and health projects. Today it is moving toward a more integrated approach focused on sustainable development and linked to collaborative governance initiatives and partnerships.¹²⁶ The core issues of prominence regarding corporate citizenship in South Africa being *climate change, human rights and community development*.¹²⁷ That being said, three businesses have been identified which demonstrate these core issues in advancing corporate citizenship in South Africa, these three businesses highlight such efforts and are listed below in no particular order.

¹²² The King Report IV on Governance for South Africa, 2016.

¹²³ Corporate Citizenship around the World ‘How Local Flavour Seasons the Global Practice’ 58.

Available at: http://www.cccdeutschland.org/sites/default/files/GERN_for_web.pdf

¹²⁴ Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African’ 5. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf

¹²⁵ The King Report IV on Governance for South Africa, 2016 3.

¹²⁶ The King IV Report Institute of Directors in Southern Africa 5.

¹²⁷ Corporate Citizenship around the World ‘How Local Flavour Seasons the Global Practice’ 58.

Available at: http://www.cccdeutschland.org/sites/default/files/GERN_for_web.pdf

4.2 KPMG (South Africa)

KPMG is a professional service company, being one of the “Big Four” auditors in South Africa, along with Deloitte, Ernest & Young and Price Waterhouse Coopers. With its Head Office in Amsterdam, the Netherlands, KPMG employs approximately 174,000 (One Hundred and Seventy Four Thousand) people and has three lines of services, namely audit, tax, and advisory. Its tax and advisory services are further divided into various service groups.¹²⁸ KPMG has expressed its corporate citizenship views that it should use its resources to become fully involved in finding sustainable solutions to global and local issues, working alongside governments, civil society groups and international agencies. This concept of ‘putting skills to work’ is evidenced through projects such as the KPMG Enterprise Development Initiative (EDI) in South Africa.¹²⁹

According to online media the KPMG EDI initiative is centred on skill and knowledge transfer for medium enterprises, specifically targeting entrepreneurs in South Africa that are more than 50% black-owned with a turnover of up to R35 million per year.¹³⁰ The ultimate goal of this intervention is not only to make an immediate impact on these businesses but also to make a sustainable, long-term difference.¹³¹ KPMG’s Growth Acceleration Programme (“GAP”) is a practical example of skills development. The programme that was launched by KPMG was in an effort to address South Africa’s paradox of skills shortage, with increasing numbers of unemployed graduates. GAP is aimed at providing work experience and skills training to previously unemployed graduates through a 12-month development course. In addition, each student is exposed to specific professional training.¹³²

¹²⁸ <http://www.kpmg.com/africa/en/about/corporate-citizenship/pages/default.aspx>.

¹²⁹ <http://www.kpmg.com/africa/en/about/corporate-citizenship/pages/default.aspx>.

¹³⁰ <http://www.kpmg.com/africa/en/about/corporate-citizenship/pages/default.aspx>.

¹³¹ Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African’ 46. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf

¹³² Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African’ 46.

Also available at http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf

Corporate Citizenship seems to be entrenched in the KPMG values and it has recognised that its firms have the scale, influence and business knowledge to make a significant and positive contribution to its communities and environments.¹³³

4.2.1 Climate Change

KPMG has also launched a programme to encourage people to reduce their own impact on the environment. Its first step was to understand its carbon footprint by measuring and reporting on our global footprint and assisting employees and clients in doing the same. In this regard KPMA has developed the KPMG Global Green Initiative a global approach to help address the challenges of climate change which includes an ambitious goal to reduce its combined member firms' global carbon footprint by 25% by 2017 off a 2010 baseline.¹³⁴ Some examples of 'Climate Change' projects KPMG in South Africa has implemented:

- Double-sided printing, dramatically reducing the amount of paper used in the firm;
- Replacement of all paper and polystyrene cups with re-usable mugs, saving approximately 40 000 cups a month;
- A waste management system has been implemented which allows for the sorting and recycling of waste at all KPMG premises;
- Purchasing energy efficient equipment and monitoring server rooms to improve efficiency;
- Motion sensor lighting in some buildings, which impacts the amount of electricity used;
- Migration to electronic communication where possible, significantly reducing printed materials.¹³⁵

¹³³ "Partnership With KPMG Celebrated With Award" available at: <http://restlessdevelopment.org/news/2014/10/24/award-bright-kpmg>

¹³⁴ KPMG "Giving Back" 3rd Edition 32. Available at: www.kpmg.com/za/en/issuesandinsights/.../general.../giving-back.aspx

¹³⁵ Aletter F, von der Burg K, Zanella I 'Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African' 46. Also available at http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf

4.3 Steinhoff International Holdings (Pty) Ltd.

Steinhoff International (“Steinhoff”) has its roots in Germany where Bruno Steinhoff founded the company in Westerstede 46 years ago. Many years later he partnered with GommaGomma in South Africa, which led to the incorporation of Steinhoff Africa and the listing of Steinhoff International Holdings Limited in 1998 on the Johannesburg Stock Exchange.¹³⁶ Today Steinhoff is a diversified company and operates across 4 continents and employs approximately 41 000 people. Steinhoff has implemented a strategy of vertical integration throughout the value chain that includes manufacturing and sourcing, logistics and retail operations.¹³⁷

According to Steinhoff’s Corporate Governance editorial,¹³⁸ its corporate responsibility is managed centrally by a “steering committee” which provides strategic direction and consolidation to the groups’ divisions and operations. As a responsible corporate citizen, Steinhoff has geared its CSR initiatives to seek out the opportunities that promote and support financial, social and environmental sustainability.¹³⁹

In this regard Steinhoff subscribes to the King Reports’ recommendations on corporate governance. At a group level certain risks are identified and managed and addresses issues of skills retention, sustainable supply of raw materials, environmental management, health, safety and environmental and ethical risks and corporate governance guidelines aim to protect the group’s corporate reputation.¹⁴⁰

¹³⁶ Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility In South Africa as practiced by South African and German Companies Southern African’ 70. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf

¹³⁷ <http://www.steinhoffinternational.com/04-corporate-responsibility.php>.

¹³⁸ Steinhoff International Holdings (Pty) Ltd. ‘2015 King III Seventy Five Principles’.

Available at : <http://www.steinhoffinternational.com/downloads/2015/King%20III%202015.pdf>.

¹³⁹ Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility In South Africa as practiced by South African and German Companies Southern African’ 12. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf

¹⁴⁰ Steinhoff International Holdings (Pty) Ltd. ‘2015 King III Seventy Five Principles’ 5.

Available at : <http://www.steinhoffinternational.com/downloads/2015/King%20III%202015.pdf>.

The above is an illustration that companies must remain cognisant of the requirements of the communities they serve and it's because of this that certain operations are at the centre of many of the groups' sustainability efforts and where development and legislation requires a higher level of involvement. It is also at operational level where risk control initiatives include safety management, security, fire defence and quality control initiatives.¹⁴¹

4.3.1 Human Rights

Steinhoff positions itself to recognize the needs of the community which it suggests is its primary asset throughout all the operations and receive many opportunities for training, development and social advancement. Employee development includes issues of human rights, education and training, equal opportunities and broad-based black economic empowerment. These activities include community based training, sport sponsorships, health projects with a special focus on HIV/Aids and community specific programmes.¹⁴² The adoption of, and adherence to, sound corporate governance policies is a business imperative. It would seem that a culture of responsible corporate citizenship has been established in each jurisdiction in which Steinhoff operates and has played a key role in securing sustainable returns. This gives some assurance that the business and the group is being managed responsibly

4.4 BASF (South Africa)

BASF is a German company and one of the largest producer of chemicals in the world. The BASF Group comprises subsidiaries and joint ventures in more than 80 countries and operates six integrated production sites and 390 other production in Europe , Asia, Australia, the Americas and Africa Its headquarters is located in Ludwigshafen, Germany.¹⁴³

¹⁴¹ Aletter F, von der Burg K, Zanella I 'Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African' 70. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf.

¹⁴² <http://www.steinhoffinternational.com/04-corporate-responsibility.php>.

¹⁴³ <https://www.basf.com/za/en/html>.

The BASF Group has been active on the African continent for close to 90 years. The company has been exporting colorants and intermediates to Kenya from its headquarters in Ludwigshafen, Germany, since the end of the 1920s. The key industries are construction, textiles, agriculture, automotive and the health care and plastics sectors.¹⁴⁴ According to online reports, BASF's sustainable development is the combination of long-term economic success with environmental protection and social responsibility.¹⁴⁵ Much of BASF's business is focused on sustainable development through the products that improve quality of life and health. Its global sustainability strategy is based on integrating sustainability aspects into core business activities. As a business owned by an international group, its empowerment initiatives in South Africa seems to be focused on the local people and indirect empowerment.. Given South Africa's specific needs, BASF have focused initiatives on transformation, training and development.¹⁴⁶ BASF believes that Corporate Citizenship projects should be sustainable and contribute to the future of South Africa. For this reason, BASF focuses primarily on initiatives that benefit community development through supporting education, protection and upliftment.¹⁴⁷

4.4.1 Community Development

BASF have launched projects such as the "The Lapdesk Project", "The Miriam Makeba Centre for Girls" and the Power Child Campus. *The Miriam Makeba Centre for Girls*, aims to promote the education and empowerment of women in South Africa, in 2005 BASF committed to supporting the the Miriam Makeba Centre for Girls and each year BASF provided new school uniforms, schoolbooks and stationery.¹⁴⁸

¹⁴⁴ <https://www.basf.com/za/en/company/about-us/About-BASF-in-South-Africa---Sub-Sahara.html>.

¹⁴⁵ <https://www.basf.com/in/en/company/sustainability/corporate-social-responsibility.html>.

¹⁴⁶ The CSR Wire 'CSR Profile of BASF' Available at: <http://www.csrwire.com/members/14246-BASF-Corporation>.

¹⁴⁷ Aletter F, von der Burg K, Zanella I 'Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African' 19. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprinttoRES.pdf.

¹⁴⁸ Aletter F, von der Burg K, Zanella I 'Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African' 19. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprinttoRES.pdf.

The Power-Child Campus, in Mfuleni in Cape Town, is funded by BASF and includes a safe house providing temporary shelter for children and offering medical services, as well as providing soccer pitches supporting physical and social training for the members of the local soccer clubs. In addition, a stream of audio-visual educational material empowers adults with the knowledge to stand up and say “NO!” to violence and sexual abuse against children.¹⁴⁹ Other Corporate Citizenship projects by BASF geared for community development include: The Carpenter’s Workshop, which helps rehabilitate destitute people in Cape Town, providing skills development in areas such as de-rusting and panel beating motor vehicles; carpentry and refurbishing furniture.¹⁵⁰

4.5 Conclusion

The abovementioned examples best illustrate the efforts of companies to advance the CRS sustainability agenda. These companies however, noticeably stem from internationally progressive countries which practice stricter involuntary and incentive based regulations so as to compel companies to advance the sustainability agenda. If one looks at the efforts of international companies and the positive results thereof, South Africa should surely lean toward such involuntary incentive based regulations. The South African industry must take cognisance that corporate citizenship involves the social responsibility of businesses and the extent to which they meet legal, ethical and economic responsibilities, as established by shareholders.

The goal is therefore to produce higher standards of living and quality of life for the communities that surround them and still maintain profitability for stakeholders. The demand in South Africa for socially responsible corporations continues to grow, this surely encourage investors, consumers, government and employees to use their individual power to negatively affect companies that do not share their values.

¹⁴⁹ Aletter F, von der Burg K, Zanella I ‘Corporate Social Responsibility in South Africa as practiced by South African and German Companies Southern African’ 19. Also available at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/Dokumente/CSRprintloRES.pdf.

¹⁵⁰ BASF Website. Also Available at: <https://www.basf.com/in/en/company/sustainability/corporate-social-responsibility.html>.

The review of these organisations suggest that all three had solid organisational structures and were given clear objectives, well organised facilitators, and funding. Having a clear, well defined and easily understood objective seems to be a crucial element to achieve CSR sustainability. In this regard stakeholders could easily relate and feel ownership because of its themed approach which was clear and logical. In this regards stakeholders could see and understand what they contributed money to and staff could easily grasp what their mandates and programmes were. Transparency with detailed and well defined purpose creates objective monitoring and evaluation.



5. CHAPTER FIVE

RECOMMENDATIONS FOR CORPORATE PARTNERSHIPS IN SOUTH AFRICA

5.1 Introduction

The reform process of company law in South Africa reached its highpoint with the enactment of the new Companies Act,¹⁵¹ which became effective on the 1st May 2011 and changed the landscape of South African corporate law. The Act introduced new concepts such as business rescue practices¹⁵² providing companies in financial distress with an option other than continuing with insolvency procedures, and laid down new solvency and liquidity requirements.¹⁵³ Despite the broad changes brought about by the Act no express reference is made to businesses social responsibility. And as long as no legal requirement is set to integrate CSR issues into their decision-making and governance structures businesses will not be legally obliged to act in a socially responsible manner.¹⁵⁴ One of the important and most relevant contributions of the Companies Regulations to embedding CSR in the corporate operations is the reference to contributions to community development in regulation 43(5) (a) (ii) (bb).

The legislature has taken cognisance of the fact that stakeholders are increasingly paying attention to social issues, and has through section 72 of the Act, without specifically referring to CSR made an attempt to ensure that CSR becomes infused and embedded in a company's governance structures.

¹⁵¹ *Companies Act 71 of 2008.*

¹⁵² Rushworth J 'Modern Company Law for a Competitive South African Economy' (2010) *Acta Juridica* 375 408.

¹⁵³ Section 4 *Companies Act 71 of 2008.*

¹⁵⁴ In *Minister of Water Affairs and Forestry v Stilfontein Gold Mining Company* 2006 5 SA 333 (W), the court, with reference to the King Report on Corporate Governance, 2002 (King II), noted that one of the characteristics of good governance is social responsibility. This particular case dealt with the issue of preventing water pollution in mining operations, and the court came to the conclusion that the relevant respondents acted irresponsibly by not addressing the issue of the water pollution. However, it should be noted that King II is not *per se* a legally enforceable instrument. It should also be noted that the entire chapter 1 of the King *Report on Governance for South Africa* (2009), commonly referred to as King III, is devoted to the issue of ethical leadership and corporate citizenship, in terms of which the board of a company is expected to provide effective leadership based on an ethical foundation. This contribution focuses on the legislative intervention regarding a company's social and ethics committee and not on the voluntary measures included in King III.

The contribution of the Act in the CSR context is however, not immediately evident from the Act itself, that makes no reference to CSR. From a CSR perspective the Act's contribution is found in section 72(4) (a), which authorises the Minister of Trade and Industry to prescribe through the use of regulations that a company or category of companies described in terms of their annual turnover, the size of their workforce and the nature and extent of their activities must have social and ethics committees. Although the establishment of a social and ethics committee has now been enshrined in legislation, the notion of having a social and ethics committee or a CSR committee, as they are generally referred to is nothing new.

Despite the fact that the membership of these committees do not necessarily conform to the composition required by the Regulations, some of these committees are not monitoring governance and implementing CSR as part of the companies' efforts to enhance their levels of transparency and accountability. A brief search of the websites of some of the major agricultural companies in South Africa¹⁵⁵ for example, indicated that none of these companies currently has a CSR committee operating at an executive level. The introduction measures could be regarded as an attempt by Government to put pressure on the private sector to operate in a socially responsible fashion.¹⁵⁶

On the 26th April 2011 the *Companies Regulations, 2011*¹⁵⁷ were released, which *inter alia* introduced the new requirement that companies falling within a certain category *must* establish a social and ethics committee. These companies must appoint a social and ethics committee unless exemption has been provided in terms of s 72(5) and (6) of the *Companies Act 71* of 2008, or unless the company is a subsidiary of another company which has a social and ethics committee and which will perform the functions required by the *Companies Regulations, 2011* on behalf of the subsidiary company (reg 43(2)(a)).

¹⁵⁵ E.g. Illova Sugar, Pioneer Food Group, Tiger Brands, Rainbow Chicken, Clover Holdings.

¹⁵⁶ Weaver GR, Trevino LK & Cochran P 'The Mediating Effects of the Public and Government Journal of Management (1999) *Academy of Management Journal* 539.

¹⁵⁷ GN R351 in GG34239 of 26 April 2011.

The following section will explore a wider definition of regulation 43(5) (a) (ii) (bb) in the Companies Act and whether it provides for corporate partnerships, thereafter address proposals for furthering the King Reports and regulation 43(5) (a) (ii) (bb) to define and prescribe corporate partnership to advance companies' sustainability agenda.

5.2 A wider definition of regulation 43(5) (a) (ii) (bb) in the Companies Regulations

In terms of regulation 43(1) of the *Companies Regulations*, 2011, companies that are state-owned, listed public companies or companies that have in any two of the previous five years scored above 500 points in terms of regulation 26 (2)¹⁵⁸ must appoint a social and ethics committee consisting of not less than three directors or prescribed officers of the company.¹⁵⁹

At least one of these directors or prescribed officers must be a director not involved in the day-to-day management of the company and who has not been so involved in the preceding three financial years.¹⁶⁰ This requirement might in future develop to the point where it is required that a board member should be responsible for the CSR portfolio and be held responsible at board level for all matters related to CSR.

¹⁵⁸ Regulation 26 addresses issues regarding the interpretation of the regulations affecting transparency and accountability, and regulation 26(2) provides the method to be used to determine a company's "public interest score" for the purposes of regulation 43, amongst others. The 500 points referred to in regulation 43(1) refer to the public interest score, which is calculated as the sum of (a) a number of points equal to the average number of employees of the company during the financial year; and (b) one point for every R1 million (or portion thereof) in third-party liability of the company; and (c) one point for every R1 million (or portion thereof) in turnover during the financial year; and (d) one point for every individual who at the end of the financial year is known by the company to directly or indirectly have a beneficial interest in any of the company's issued securities.

¹⁵⁹ This position is similar to the position proposed in the Indian *Companies Bill*, 2011. In terms of s 135(1) of the said Bill, companies with a net worth exceeding an estimated R800 million ("rupees five hundred crore") or with an annual turnover exceeding an estimated R1.6 billion ("rupees one thousand crore") will be required to constitute a Corporate Social Responsibility Committee (recognised as a Board committee) consisting of three or more directors, of whom one should be independent. Available at : <http://bit.ly/10SVRRh>

¹⁶⁰ Regulation 43(4). The social and ethics committee is appointed by the board of a company. Failure by the board to appoint the committee is addressed in s 84(6), which reads as follows:

If the board of a company fails to make an appointment as required by this Part—

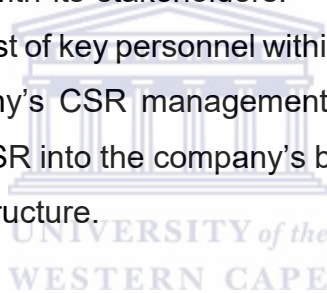
(a) the Commission may issue a notice to that company to show cause why the Commission should not proceed to convene a shareholders' meeting for the purpose of making that appointment; and

(b) if the company fails to respond to a notice contemplated in paragraph (a) or, in responding, fails to satisfy the Commission that the board will make the appointment, or convene a shareholders' meeting to make the appointment, within an acceptable period, the Commission may

(i) give notice to the holders of the company's securities of a general meeting, and convene such a meeting, to make that appointment; and
(ii) assess a pro-rata share of the cost of convening the general meeting to each director of the company who knowingly permitted the company to fail to make the appointment in accordance with this Part. From the wording of this regulation the conclusion can be drawn that all state-owned and listed public companies will in future be required to have a social and ethics committee, while the establishment of the committee is required for only those private companies referred to in reg 43(1)(c).

This step would contribute to embedding CSR in corporate governance in a significant manner and drive CSR throughout this section of the corporate sector.

The requirement that at least one of the members of the committee should be a non-executive director (i.e. someone not involved in the day-to-day management of the company)¹⁶¹ represents an attempt by the legislature to enhance transparency in the functioning of the committee and to act as a counterbalance to “corporate greenwash”.¹⁶² Corporate greenwash is a term used when public relations attempt to obscure the true impact of business activities. Although the regulation does not require the committee to include external CSR experts or stakeholder representatives,¹⁶³ it should be noted that the committee will add further value to its functioning if it could demonstrate that it is actively engaging with its stakeholders.¹⁶⁴ It is further suggested that the committee should consist of key personnel within the company, who are directly involved in the company’s CSR management and who will be able to help embed and integrate CSR into the company’s business ethos and practices as well as the corporate structure.



It would defeat the purpose of the establishment of the committee if, for example, the committee were to be led by the company secretary, who possibly would have no involvement with the company’s CSR efforts. The Act authorises the social and ethics committee to require any director, prescribed officer or any employee to provide the information or explanations necessary for the performance of the committee’s responsibilities.¹⁶⁵

¹⁶¹ The draft *Companies Regulations* initially required that the committee should comprise a minimum of three independent non-executive directors.

¹⁶² Hamann R, Khagram S & Rohan S ‘Driving Corporate Social Responsibility through the Companies Act’ (2008) *Journal of Southern African Studies* 23.

¹⁶³ Hamann R, Khagram S & Rohan S ‘Driving Corporate Social Responsibility through the Companies Act’ (2008) *Journal of Southern African Studies* 23.

¹⁶⁴ A company may engage with stakeholders only if it has identified those stakeholders with legitimate interests in the business.

¹⁶⁵ Sections 8(a) and (b).

The committee is further entitled to attend general shareholders meetings and to be heard at such meetings to the extent that the functions of the committee are discussed.¹⁶⁶ This step will ensure that CSR matters and policies are brought to the shareholders' attention at the annual general meeting and that CSR will in future become a standing item on the agenda of companies' shareholder meetings.¹⁶⁷ The function of the social and ethics committee is to monitor and report on matters within the committee's mandate. In terms of regulation 43(5)(a), the committee should monitor the company's activities having regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regard to matters concerning:

- “(i) *social and economic development, including the company's standing in terms of the goals and purposes of:*
 - (aa) *the 10 principles set out in the United Nations Global Compact Principles; and*
 - (bb) *the OECD recommendations regarding corruption;*
 - (cc) *the Employment Equity Act; and*
 - (dd) *the Broad-Based Black Economic Empowerment Act*
- (ii) *good corporate citizenship, including the company's:*
 - (aa) *promotion of equality, prevention of unfair discrimination, and reduction of corruption;*
 - (bb) *contribution to the development of communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and*
 - (cc) *record of sponsorship, donations and charitable giving;*
- (iii) *the environment, health and public safety, including the impact of the company's activities and of its products or services;*
- (iv) *consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and*
- (v) *labour and employment; including:*

¹⁶⁶ Sections 8(c) to (e).

¹⁶⁷ Kloppers HJ 'Improving Land Reform through CSR: A legal Framework Analysis' *Potchefstroom Electronic Law Journal* 339 366.

- (aa) *the company's standing in terms of the International Labour Organization on decent work and working conditions; and*
- (bb) *the company's employment relationships, and its contribution toward the educational development of its employees."*

The following paragraphs will provide an overview of the sub-regulation which the committee is required to monitor and report on, with the particular focus on regulation 43(5) (a) (ii) (bb) i.e. good corporate citizenship¹⁶⁸. Does this provide for corporate partnerships, if so does it achieve contributions to community development and does this advance the corporate sustainability agenda?

Good corporate citizenship is concerned, refers to the acceptance by a business that it has a responsibility toward various stakeholders resulting from its business operations, and that as a result of this responsibility it can be held accountable if it neglects to act responsibly.¹⁶⁹ Therefore, a socially responsible business - one that accepts and acts on its social responsibility will be regarded as a good corporate citizen. Although the *Regulations* do not provide an explanation of what is meant by corporate citizenship, they do provide some clues.

In terms of the regulations a good corporate citizen would be one that promotes equality, prevents unfair discrimination, acts against corruption¹⁷⁰ and contributes to community development.¹⁷¹ One of the most important contributions of the *Companies Regulations* to embedding CSR in the corporate operations is the reference to contributions to community development in regulation 43(5) (a) (ii) (bb). The premise of this regulation is that a good corporate citizen contributes to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed.

¹⁶⁸ Kloppers HJ 'Improving Land Reform through CSR A legal Framework Analysis' *Potchefstroom Electronic Law Journal* 325-339.

¹⁶⁹ The notion of good corporate citizenship is central to good governance and within the South African context rose to prominence in the *King Report on Corporate Governance for South Africa 2016*. The *King Report* refers to various defining characteristics of good corporate citizenship, which include corporate governance (managing businesses in a responsible and accountable fashion), respect for human rights, environmental responsibility and community engagement through the promotion of collaborative partnerships (Institute of Directors *King Report IV* 42-74).

¹⁷⁰ Regulation 43(5) (a) (ii) (aa) of the *Companies Regulations*, 2011.

¹⁷¹ Regulation 43(5) (a) (ii) (bb) of the *Companies Regulations*, 2011.

The focus on community development is in line with the developmental nature of CSR, in terms of which businesses collaborate or partner through their CSR initiatives to contribute to the development of communities. The issue of community development is central to CSR. The ISO Guidance on Social Responsibility identifies community involvement and development as one of its core CSR topics while community development is one of the outcomes of enterprise development in terms of black economic empowerment.¹⁷² Community involvement not only strengthens the relationship of trust between a business and the community but also serves as a tool through which development can take place – development that empowers the community and improves its quality of life.¹⁷³

In the context of land reform, for example, and with specific reference to land redistribution, in many instances a single piece of land is transferred to numerous beneficiaries that may constitute a community. Due to its proximity to these beneficiaries an agricultural company may have the opportunity to contribute to the development of such a community and ultimately will have to report to its shareholders on the extent to which the company has contributed to the community's social and economic transformation.

The final aspect of this regulation indicates that the social and ethics committee should consider the company's record of sponsorship, collaborations and charitable giving.¹⁷⁴ Corporate collaboration or partnership could be regarded as manifestations of socially responsible behaviour where funds, resources and skills are invested in communities, and these investments should therefore be monitored and reported on by the committee.¹⁷⁵

¹⁷² ISO Guidance on Social Responsibility 2010 1. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en>.

¹⁷³ ISO Guidance on Social Responsibility 2010 62. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en>.

¹⁷⁴ Regulation 43(5) (a) (ii) (cc) of the *Companies Regulations*, 2011.

This is closely related to the previous regulation referring to community development, since most corporate partnerships are aimed at a section of the community with which the businesses interact, and as a result it is necessary not only to monitor and report on the extent to which such businesses have contributed to community development but also the extent to which partnering business funds, resources and skills have been utilised to bring about the development.

The standards of conduct set for members of the social and ethics committee are addressed in section 76 of the Act, while section 77 deals with the liability of the members of the committee for non-compliance with the set standard. Despite the fact that the heading of section 76 is "Standards of directors", the section is equally applicable to prescribed officers or members of board committees such as the social and ethics committee or the audit committee.¹⁷⁶ In terms of section 76(3) a member of the social and ethics committee is required to exercise the powers and perform the functions of a member of the committee in good faith and for a proper purpose,¹⁷⁷ in the best interest of the company,¹⁷⁸ and with the degree of care, skill and diligence that may be reasonably expected of a person carrying out the same functions in relation to the company as those carried out by the member of the committee.¹⁷⁹

With regard to the duties to act in the best interest of the company and to act with the required degree of care, skill and diligence, a committee member will escape liability if it can be proven that reasonably diligent steps have been taken to become informed on the matter or that he or she had a rational basis for believing and did believe that the decision taken was in the best interest of the company.¹⁸⁰ This of course has an undesirable influence on corporate partnerships as this maintains the economic bottom line as the determining factor. Such liability of non-compliance discourages corporate partnerships.

¹⁷⁶ Section 76(1) (a) and (b) *Companies Act 71 of 2008*.

¹⁷⁷ Section 76(3) (a) *Companies Act 71 of 2008*.

¹⁷⁸ Section 76(3) (b) *Companies Act 71 of 2008*.

¹⁷⁹ Section 76(3) (c) *Companies Act 71 of 2008*.

¹⁸⁰ Section 76(4) (a) (i) and (iii) *Companies Act 71 of 2008*.

For the purposes of the Act, no distinction is drawn between the liability of a director and the liability of a member of a board committee. In terms of section 77(2) of the Act, a member will be held liable:

(a) in accordance with the principles of the common law relating to breach of a fiduciary duty, for any loss, damages or costs sustained by the company as consequence of any breach by the director of a duty contemplated in section 75, 76(2), or 76(3)(a) or (b); or (b) in accordance with the principles of the common law relating to delict for any loss, damages or costs sustained by the company as consequence of any breach by the director of (i) a duty contemplated in section 76(3)(c); (ii) any provision of this Act not otherwise mentioned in this section; or (iii) any provision of the company's Memorandum of Incorporation.

If a member of the social and ethics committee fails to act in good faith or in the best interest of the company, the member will be deemed to have breached the fiduciary duties and will be held liable for any loss, damages or costs sustained by the company as a consequence of the breach. In the same sense a member of the committee will be held open to delictual claims if the member neglects to act with the degree of care, skill and diligence required.¹⁸¹

Therefore a wider definition of regulation 43(5) (a) (ii) (bb) in the Companies Regulations creates a somewhat opposing force and juxtaposes provisions for corporate partnerships. This creates liability for such CSR ventures if the individual business does not maintain the economic bottom line as the determining factor, discouraging the very corporate partnership community development goal.

¹⁸¹ Muswaka L 'Directors 'Duties and the Business Judgment Rule in South African Company Law: An Analysis' (2013) *International Journal of Humanities and Social Science* 89 95.

5.3 Recommendations for furthering King IV Reports and regulation 43(5) (a) (ii) (bb) to define and prescribe corporate partnership to advance companies sustainability agenda

The fact that some companies are now legally required to include a social and ethics committee in their governance structures represents a welcome move towards institutionalising and legitimising CSR. Although the South African Government does not have a formal policy on CSR partnerships, the inclusion of the social and ethics committee requirement in Parliament and the *Regulations* serves as an indication that the CSR partnership movement and has taken steps toward mainstreaming the notion of CSR partnership.

In 2010 an international non-profit marketing trend tracker survey found that 60% of businesses indicated that they actively seek partnership details before supporting a cause and 75% of consumers reported that they wanted to hear about the results of a corporate partnership, including the effect on social issues or money raised for the cause. In planning these partnerships, the principal condition no matter where a partnership falls on the collaboration continuum is that there needs to be a good fit between the cause and the business.¹⁸²

In future it will be responsible for ensuring that the company acts in a socially responsible manner in order to maintain its social licence to operate. It is, however, unfortunate that the legislature has not provided a more detailed and less ambiguous indication of what is expected of the CSR committee. The current regulations are in many instances vague this is unsustainable as corporate partnership is arguably the most comprehensive, complex, and responsive form of stakeholder engagement. Of course a business' financial performance can fluctuate for various reasons, including factors outside of its control, but good relations with stakeholders can help offset those risks and accelerate recovery from poor financial performance.¹⁸³

¹⁸² Gupta S & Pirsch J 'Fit Decision in Cause-related Marketing' (2006) *Journal of Consumer Marketing* 314 26.

¹⁸³ Choi J & Wang H 'Stakeholder Relations and the Persistence of Corporate Financial Performance' (2009) *Strategic Management Journal* 895 907.

Legislature has clearly missed an opportunity to provide clear terms of reference for corporate partnerships. The terms of reference of regulations 43(5) (a) (ii) (bb) should focus on functions such as establishing policies and standards based on the nationally and internally recognised instruments addressing CSR partnership, reviewing CSR issues which could potentially affect the businesses,¹⁸⁴ monitoring and reporting to the full range of stakeholders on compliance against the established policies, standards, rules and regulations, and overseeing the company's CSR initiatives. Despite the corporate partnership shortcomings in South Africa, the requirement that companies should have a social and ethics committee is a welcome step in the right direction. If, however, it is accepted that companies should be socially responsible, questions should be raised for future research as to whether companies' stakeholders have or should have, a right to compel companies to act with social responsibility within a corporate partnership framework. Neither the Companies Act nor the Regulations has given consideration to this issue.



¹⁸⁴ Galbreath J 'Building corporate social responsibility into strategy' (2009) *European Business Review* 109 127, Galbreath supports the approach where CSR is built into the entire business strategy, which according to him consists of the business' mission, its strategic issues, the markets in which it operates, the customers' needs, the business' resources and its competitive advantage. The notion of the total integration of CSR into business strategy implies that the CSR framework should be integrated into the entire business ethos including the business' systems, objectives, targets and performance measures, as well as into the business' governance structures.

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