

Corporate Social Responsibility and the Agriculture Sector ~ Quo Vadis?

Corporate Social Responsibility (CSR) can be defined broadly as the link between profit, people and planet (environment). Gone are the days when big business was only interested in making a profit for their shareholders. Society at large expect them to also plough back into the various societies that make use of their services or buy their products, while business is also being held responsible for ensuring that the environment is not negatively affected. This also applies to the agricultural sector.

CSR issues are closely linked in some businesses to a “sustainable” business agenda. Sometimes called the “triple-bottom line,” these businesses are increasingly looking at the social, environmental and economic returns of their operations. It is also sometimes referred to as the three Ps – people, planet and profits.

At the recent Agricultural Symposium titled “all Fresh ~ The One Event,” held at Sun City, various topics ranging from HIV/AIDS and the importance of worker welfare for South African Growers to Sustainable Farming and global supply chains were discussed. Corporate Social Responsibility has a direct influence in all these aspects and can ensure future sustainability.

How does CSR fit in with SA Government Policy?

Increasingly, thus, there is an interest within the CSR community to make the business case for CSR. This approach attempts to align social responsibility issues and actions with business objectives. If CSR efforts can be seen to improve company performance, then it is more likely that investments (both locally and international) in CSR will be substantive and sustainable. CSR advocates highlight many dimensions of the business case for CSR including access to more capital, increased sales, motivated workers, content neighbours, supportive governments, and good relations with NGOs.

One needs to remember that no business / organisation operate in a vacuum ~ various role players and stakeholders make up this matrix. While the real benefits for behaving social and environmentally will become clear later, it needs mentioning that an ever increasing number of rules and regulations are being put in place, which directly or indirectly are shaping the CSR debate. The results of these rules and regulations will compel company directors, managers and owners to understand the impact of their operations on the economy, society and the environment.

During the World Economic Forum held in South Africa in 2002, approximately 200 companies doing business in Africa, signed the Business Endorsement of the New Partnership for Africa's Development (NEPAD), where NEPAD's statement of endorsement read:

“...to consolidate democracy and sound economic management on the continent. Through the programme, Africa's leaders are making a commitment to the African people and the world to work together in rebuilding the continent. It is a pledge to promote peace and stability, democracy, sound economic management and people-centred development and to hold each other accountable in terms of the agreements outlined in the programme.”

The signatories committed themselves to, amongst others, improve their corporate social responsibility initiatives by transferring improved skills and technology and to help build human capital and economies. (Also see “NEPAD's BUSINESS DECLARATION ON CORPORATE SOCIAL RESPOSNIBILITY” at end of this document).



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During an interview with Saliem Fakir, Director of the World Conservation Union's (IUCN) South Africa Office, on issues for the World Summit on Sustainable Development, he had to following to say on trade and CSR:

"The Ministerial Declaration from the WTO meeting at Doha, Qatar links trade and the WSSD ensuring that it will feature. Developing countries will suspect that environmental standards may become a new form of non-tariff barriers. The EU is hard-pressed to deal with environmental issues because of its constituency and the proposed reforms to the Common Agricultural Policy (CAP). The African bloc is very keen that this issue be discussed.

All the major multinationals now have some sort of Corporate Social Responsibility (CSR) policy and committee. One needs to measure the talk against action. Some companies seem sincere and willing to adhere to sound environmental and labour practices. Consumers in developed countries are demanding it. With large corporations have more financial clout than many developing countries, there has to be an international regime governing corporate behaviour. At the moment there are only voluntary mechanisms.

Free Trade Agreements are also a concern. Some view them as an attempt to by-pass the WTO as it becomes more developing country focused. NAFTA is a case in point, its investor clauses may allow corporations powers over sovereign and democratic states."

Other legislation that impacts on the CSR-field include the following:

<i>Socio-economic development</i>	Reconstruction and Development Fund (1994), Development Facilitation Act (1995), Mineral and Petroleum Resources Development Act (2002), Broad-based Black Economic Empowerment Act (2003)
<i>Environment, health & safety</i>	Mine Health and Safety Act (1996), National Water Act (1998), National Environmental Management Act (1998), Air Quality Bill (2003)
<i>Labour, governance & ethics</i>	Employment Equity Act (1998), Skills Development Act (1998), Promotion of Access to Information Act (2000), Promotion of Equality and Prevention of Unfair Discrimination Act (2000), Prevention and Combating of Corrupt Activities Act (2004)

Furthermore the King Report (1992) and the revised King II Report (2002), has now become a listing requirement for the JSE Corporate Responsibility Index (JSE CRI). More about this under the heading "How are SA firms shaping up in terms of CSR?"

Even though no formal legislation has been promulgated which specifically targets CSR, the BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT (BBBEE) of 2003, has the biggest impact on CSR. According to Prof. PDF Strydom, "...the various reports on BEE that were released by the DTI concentrate on the economic, social and skills disadvantage of black people in South Africa owing to colonial rule and the apartheid system. These systems deprived blacks of access such as land and capital." Furthermore, these systems also deprived blacks of quality education and broad-based training. BBBEE is therefore a specific government policy introduced to advance economic transformation in order to enhance the economic participation of black people. "The fight of poverty is an important aim of government in South Africa. Poverty goes hand in hand with economic marginalisation in the sense that poor people, particularly black people in rural areas, have not or limited command over factors of production other than unskilled labour."

Various industry charters have been introduced with "BBBEE Scorecards." For future sustainability, companies, business and owners should ensure a "good BBBEE score." Having an effective and efficient CSR-programme in place, could result in "20 points" on the "BBBEE Scorecard." The scorecard will enable government to apply BEE criteria in determining



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qualification criteria for the issuing of licenses, concessions or other authorisations. The scorecard will be an important instrument in the determination of governments' preferential procurement policy as well as in the determination of criteria for the sale of state-owned enterprises. It needs mentioning that the AgriBEE framework is in draft stage and the scorecard was approved by the steering committee in September 2005. The Wine Industry Charter is also in draft stage, to be approved during 2006.

Cees Bruggemans, Chief Economist for FNB, writes the following:

"Towards the end of 2005 the government promulgated new rules regarding BEE and small businesses in terms of a set of codes of conduct.... The following 7 elements of broad-based black economic empowerment are covered by various codes, i.e., ownership, management control, employment equity, skills development, preferential procurement, enterprise development and residual or enterprise specific aspects (CSR programmes and initiatives). Each element (or indicator) carries a weight of 20%. That means the indicators carry 140 available points. A qualifying enterprise may elect to be measured in terms of 5 of the 7 elements of BEE."

From this it can be seen that by introducing and sustaining a CSR Programme, companies and industries can almost ensure their own sustainability, as future business is almost guaranteed, should they achieve an acceptable "BBBEE Score"

How are SA firms shaping up in terms of CSR?

"The continued presence of 45 companies who have successfully met the criteria of the Socially Responsible Investment (SRI) Index since its inception 3 years ago, suggests that sustainability and public reporting on sustainability issues is becoming part of 'doing business as usual' for many listed entities," says Nicky Newton-King, Deputy CEO of the JSE announcing the constituents of the 2006 SRI Index.

Currently, 58 companies are listed on the JSE SRI, with a slight increase take place each year. This can be contributed to the fact that more and more companies and industries are realising on the importance and business-sense of corporate social responsibility. (See list of SRI Index Constituents for 2006, at end of this article.)

The following information is provided, care of Trialogue, "THE CSI HANDBOOK (p.62):

"Perception ratings in the Agriculture and Forestry sector were acquired for second year, with results being reflected in the table and graph below. Sappi, and to a lesser extent Mondi, once again dominated the nominations from both the corporate and non-profit sectors. However, it is heartening to see some of the localised companies, which are listed under "other nominations", receiving recognition for their development contributions."

Agriculture and forestry companies perceived to be making the "strongest contribution to development"

	First	Second	Third
2005			
By Corporate	Sappi	Mondi	SA Sugar Association
By NPO	Sappi	Mondi	Land Bank, SA Sugar Association
2004			
By Corporate	Sappi	Mondi	Land Bank
By NPO	Sappi	Mondi	SA Sugar Association, Safcol

Other Corporate Nominations	Other NPO Nominations
Citrus Association, HL Hall & Sons, Illovo Sugar, Land Bank, Monsanto	Dow AgroSciences, Elangeni, Goldi Chicken, Illovo Sugar, MTO Forestry, Muthza, Pure Cane Molasses, Singisi, Tongaat Hullett

While corporate social investment programmes have long been significant contributors to South Africa's development landscape, the legislation-driven imperative for swifter economic transformation, and a host of new industry sector charters, is shifting CSI from a voluntary to a performance-driven pursuit....Non-cash contributions remain largely



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unaccounted for, suggesting that the actual corporate contribution is considerably higher than the estimated R2.65 billion (2004/2005 financial year)."

Rob Small had the following to say on "community-based micro-farming creating food security:"

"Although investments in community-based farming and gardening have been modest, a grassroots agricultural movement is steadily growing in South Africa and is fertile ground for CSI. Working through these structures, using a mix of proven development strategies, companies can contribute substantially to building a national food security model fit for replication on a mass scale."

Who benefits and how?

Companies, business and even farmers are coming under pressure to adopt or expand their CSR initiatives from customers / clients, employees, suppliers "up and down the supply chain," communities, investors, NGO, FBO, NPO and various other stakeholders. Except for the ethical and social benefits that can be derived from this, the following could also be attributed to effective CSR policies and practices:

- **Reduced operating costs:** It has been proved that where CSR initiatives have been introduced, a significant drop in absenteeism takes place, staff turn over declines and therefore saves on the HR budget;
- **Increased quality and productivity:** where employees are involved in the decision-making process of the company (on which ever level), and working condition start improving, productivity improves and the level of product rejects and complaints drop;
- **Increased sales, turnover and customer loyalty:** Various research that has been conducted have found that customers are now preferring those suppliers who are seen to be socially responsible;
- **Improved returns to shareholders:** The JSE Socially Responsible Index and the FTSE 4Good Index are both indication that those companies listed, have outperformed their peers.

Who are the key stakeholders in the CSR-field?

When considering CSR on a strategic level, many companies and industries have identified the following four key stakeholder groups to have the biggest impact on their operations:

Employees: Various issues are covered under the CSR-umbrella when it comes to employees. Here one would address HR areas such as personnel policies and practices, remuneration, recruitment, staff satisfaction, well-being (including HIV/AIDS) and development. Work-life balance, diversity (equity), care of family / dependents (children, elderly parents, physically challenged), utilizing temporary / seasonal workers and organizational development issues are aspects that are currently receiving much attention.

Aspects that are also starting to receive a higher degree of attention include religion in the workplace, employee privacy, sexuality and benefits to domestic partners.

With the current "brain drain and war for talent," it has also been proven that those companies which have CSR policies in place attract the best talent. This has become evident in the "best places to work for"-lists that are issued annually.

Suppliers: Supplier related CSR issues have attracted considerable media attention of the past few years, particularly in South Africa, seen against the formation of the Industry Charters as part of the Broad Based Black Economic Empowerment Act.



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This has now also evolved to include ethical sourcing and human rights policies, with specific focus on child labour (sweat shops), and the empowerment of women. Enterprise development and the support and development of SMME's (small, medium, macro enterprises) and local sourcing (preferring South Africa products and services) have also become very important. It is now perceived that prospective employees will now only work for those companies / industries which are seen as being ethical and having their CSR policies in place.

Customers: As mentioned earlier, customers are becoming more and more CSR-orientated. Consumer activism has become a global phenomenon which speaks out against those companies and industries which are not ethical in their dealings (e.g. farmers not paying minimum wages to their workers, miss-use of seasonal workers, eviction of labourers that have been resident on the farms for many generations). It has also become evident that customers openly boycott specific goods, products and services, if they appear not to be fulfilling their social and environmental responsibilities. The opposite is also true ~ more and more customers are supporting and purchasing from suppliers who are deemed to be better for society and the environment, whether that be organic produce, fair-trade products, or products which have not been tested on animals.

The following activities could be incorporated under customer concerns:

- Product manufacturing ~ human rights of workers in supply chain, product safety
- Labelling and packaging
- Marketing and advertising ~ who is this aimed at?
- Selling practises and pricing

It is clear that the shift is starting to take place from a “buyer beware” market towards an ethos in which companies are expected to bear a greater responsibility for the use and consequences of their products and services.

When looking at the products customers pay for, they are now not only concerned about how it tastes, but also how it was grown, who is making money off it and what's in it, such as nutrient content additives and chemicals.

Community: Usually, community related CSR issues are defined narrowly in terms of the company's corporate community investment or initiatives. This includes donations, employee time, products, services, influence, management knowledge and other resources.

These are all benefits which, if not managed properly, could have a short-lived impact on the intended recipients. In the business environment, it is widely accepted that the strategic purpose of a well managed CSR programme is to provide sustainable benefits for both the community partners and the company or industry.

What is the future of CSR?

CSR has definitely arrived. What is important for the future is for companies and industries to map out what it means for them and how best they might deliver the economic-, environmental-, and social benefits that leading organisations achieve. This will help ensure their future sustainability.



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The aim of CSR is to understand and respond to the legitimate concerns of those who would challenge the strategic objectives of the business or industry.

Some examples of CSR:

- Tolukuma has established an agricultural extension programme designed to stimulate activity and generate income for local inhabitants both before and after mining in the area ceases. Another successful project is the establishment of a coffee plantation nursery; the mine flies on behalf of the community, locally produced coffee to Port Moresby for export. The mine also purchases fresh produce from local growers for consumption at the mine in an effort to stimulate and encourage local productivity in the region.
- In October 2005, diversified technology, media and financial services multinational - General Electric - announced the launch of a five-year, \$20 million initiative that aims to bring improved healthcare and infrastructure to hospitals and clinics in Africa. GE Energy, GE Healthcare, GE Infrastructure and GE Consumer & Industrial have come together to donate healthcare equipment, power generation equipment, water filtration systems, appliances and lighting to hospitals across Africa in an effort to help decrease mortality rates through the provision of sustainable access to cleaner water, medical treatment and power at various sites on the continent.
- One example of a social responsibility programme that addresses several issues is the programme of Richards Bay Minerals in South Africa, a subsidiary of Rio Tinto. Richards Bay Minerals is in the business of mining coastal dunes. The social responsibility programme associated with this activity includes biodiversity-friendly restoration of roughly half of the dunes and community-use restoration – for fuel wood production – of the rest of the dunes. The company also has health, education and road safety programmes for the local communities as well as incubator support programmes for small business development.
- Many multinational companies today are reviewing both the philanthropic and business case rationales for their CSR programmes. For example, HSBC's \$50 million charitable donation to three environmental NGOs – known as Investing in Nature – is now being seen by the bank also as a way to build awareness and capacity among its employees to address issues of environmental sustainability. The BAT Biodiversity Partnerships of British American Tobacco includes two programmes – one philanthropic supporting the conservation work of its NGO partners and the other business focused improving the company's biodiversity conservation performance.
- British American Tobacco South Africa – through its Signature Trust – is investigating in a performance-based community music programme in an effort to encourage behaviour change among our youth. Targeting communities in the Western Cape, the innovative Siyaya music group is proving an effective platform for HIC education, providing a new vision for South African youth.
- Corporate investment in education projects has seen a wide range of infrastructural improvements, yet many rural schools still do not have a supply of clean drinking water. In response to this crisis, the Land Bank is financing the installation of an ingenious water-pumping device at selected schools in deep rural communities.
- The United Against Hunger campaign represents a unique multi-faceted approach to addressing the pressing development need of providing food to desperately hungry people. Through existing and future partnerships, this Section 21 company has the potential to transform the food security landscape of South Africa (Tiger Brands CSR Initiative).



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NEPAD's BUSINESS DECLARATION ON CORPORATE SOCIAL RESPONSIBILITY

Preamble

The Signatories,

- Understanding that great social, environmental and economic interventions are necessary in Africa to realise the potential inherent in the resources and people of the continent;
- Acknowledging that NEPAD is a principled and ambitious programme to unlock this potential;
- Understanding that corporations have a profound impact on their environment and stakeholders and have an obligation to act in a socially responsible manner;
- Recognising that Corporate Social Responsibility (CSR) is an essential part of the interventions needed to ensure success and that socially responsible investment (SRI) is a central element of corporate citizenship;
- Acknowledging that investors are attracted by socially responsible business approaches which achieve long-term shareholder value by embracing opportunities and managing risks that go beyond short-term financial analysis;
- Believing that there is a need for an objective and accepted means of measuring CSR performance to encourage constructive, sustainable SRI in Africa;
- Understanding that the economic empowerment of historically disadvantaged persons, enabling their advancement in accordance with their abilities, is an important component of CSR;
- Recalling the importance of the Global Compact on respect for human rights, fair labour practices and environmental sustainability, which provides business with an international framework for global, values-based management;
- Mindful that the JSE Securities Exchange South Africa (JSE) and the FTSE have been working with the FTSE/JSE SRI Advisory Committee to create a Socially Responsible Investment Index for South Africa to encourage SRI and contribute to higher CSR standards;
- Aware that the JSE and FTSE are preparing a joint document outlining the Philosophy and Criteria on which the FTSE/JSE SRI Index for JSE listed companies will be based and intend that these criteria will provide a benchmark for non-listed CSR projects as well;
- Conscious that the SRI Index will identify best practice in CSR, highlight those companies with good corporate social responsibility performance, serve as a benchmark index facilitating investment in companies with good records of CSR and form the basis for SRI products;
- Understanding that companies' performance will be assessed in relation the main pillars of the SRI Index,
specifically -
 - _ environmental sustainability
 - _ positive relationships with stakeholders; and
 - _ upholding and supporting universal human rights;have agreed to commit themselves to these principles in line with the following understanding of their content:

Article 1 - Environmental Sustainability

This principle reflects the understanding that Africa has a critical resource base that must be wisely used if it is to be sustained and to facilitate sustainable development. Companies impacting on these resources should implement systems to measure the effect of their activities and strive continuously to ensure sustainable use, while developing strategies to prevent, mitigate and control any damage they may cause, so as to protect and rehabilitate the environment. Reporting on their strategies and performance is a key indicator of a company's commitment to environmental sustainability.



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Article 2 - Positive Stakeholder Relationships

1. The maintenance of positive stakeholder relationships is a key component of CSR as they often impact more immediately on the lives of some citizens than even the State. Balancing superior financial performance with exemplary CSR is the major challenge facing companies in this respect.

2. Companies should apply best governance practices, maintaining integrity, transparency and accountability. Core business strategy must be directly linked to management systems. Core labour standards that facilitate freedom of association and fair working conditions, while promoting diversity, equity and human capital development, are essential. Employee health and safety are of particular importance.

Article 3 - Upholding and Supporting Universal Human Rights

1. Corporate values should recognise human rights as the cornerstone of a democratic society, and companies should promote human dignity, equality and the advancement of rights and freedoms.

2. While all companies have a responsibility to contribute to respect for universal human rights, those companies that operate businesses of strategic importance in countries with poor human rights records, or whose business of strategic importance impacts on such countries, have the greatest responsibility in this regard



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JOHANNESBURG STOCK EXCHANGE SRI Index Constituents ~ 2006

Absa Group Limited
AdvTech Limited
African Bank Investments Limited
African Oxygen Limited
Alexander Forbes Limited
Allied Electronics Corporation Limited
Allied Technologies Limited
Anglo American plc
AngloAmerican Platinum Corp Limited
AngloGold Ashanti Limited
Aveng Limited
Barloworld Limited
BHP Billiton plc
The Bidvest Group Limited
Brait S.A. (Société Anonyme)
Bytes Technology Group Limited
City Lodge Hotels Limited
Discovery Holdings Limited
Edgars Consolidated Stores Limited
Firststrand Limited
Gold Fields Limited
Grindrod Limited
Group Five Limited
Harmony Gold Mining Company Limited
Highveld Steel and Vanadium Corporation Limited
Illovo Sugar Limited
Impala Platinum Holdings Limited
Imperial Holdings Limited
Investec Limited and Investec plc
Kumba Resources Limited
Liberty Group Limited
Liberty International plc
Massmart Holdings Limited
Medi-Clinic Corporation Limited
Merafe Resources Limited
Metropolitan Holdings Limited
Mittal Steel South Africa Limited
MTN Group Limited
Murray & Roberts Holdings Limited
Nampak Limited
Nedbank Group Limited
Network Healthcare Holdings Limited
Northam Platinum Limited



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Oceana Group Limited
Old Mutual plc
Pick 'n Pay Holdings Limited
Pretoria Portland Cement Company Limited
Remgro Limited
SAB Miller plc
Sanlam Limited
Santam Limited
Sappi Limited
Sasol Limited
Standard Bank Group Limited
Telkom SA Limited
The Tongaat-Hulett Group Limited
Trans Hex Limited
Woolworths Holdings Limited

SRI Index Outstanding Performer Disclosure

High environmental impact classification

Of the 30 high impact companies that qualified, the top 6 ranked in alphabetical order are:

- Anglo American plc
- AngloAmerican Platinum Corp Limited
- Impala Platinum Holdings Limited
- Oceana Group Limited
- Sasol Limited
- The Tongaat-Hulett Group Limited

Medium environmental impact classification

Of the 13 medium impact companies that qualified, the top 4 ranked in alphabetical order are:

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

Low environmental impact classification

Of the 15 low impact companies that qualified, the top 3 ranked in alphabetical order are:

- Liberty Group Limited
- Nedbank Group Limited
- Remgro Limited

Top performer in each of the impact categories:

High environmental impact classification - joint top score to:

- Anglo American plc
- AngloAmerican Platinum Corp Limited

Medium environmental impact classification

- Woolworths Holdings Limited

Low environmental impact classification

- Nedbank Group Limited



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