



Addressing social issues through CSR Trusts

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Dr. HJ Kloppers



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Presentation outline

Introduction to CSR

CSR Trusts

CSR legal framework

Drivers of CSR

Business case for CSR

Benefits of CSR

Conclusion

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Introduction to CSR

- CSR defined (CSR v CSI)
 - "no social program can rival the business sector when it comes to creating the jobs, wealth, and innovation that improve standards of living and social conditions over time" (Porter & Cramer 2006 (84) *Harvard Business Review* 83)
 - Businesses draw on societal resources – need to 'plough back'
 - Private sector CSR initiatives can potentially fill gaps caused by inability of states to address social problems
 - Initiatives = alternative source of resources
 - No consensus on a single universally accepted definition
 - "CSR means something, but not always same thing to everyone" (Votaw 1972 (15) *California Management Review* 25)

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Introduction to CSR

- CSR defined (CSR v CSI)
 - General characteristics include: beneficial for both business and society, extraneous to regular business activities
 - Most useful definition – ISO *Guidance*
 - responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and practised in its relationships
 - CSR = legal compliance & going beyond; Identify targeted beneficiaries; Beneficial for business & society; Extraneous to regular business activities; Integrated

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Introduction to CSR

- The aim of CSR – through strategic initiatives contribute to society
- The fundamental principles of CSR
 - ❖ Power begets responsibility.
 - ❖ A voluntary assumption of responsibility is preferable to government intervention and regulation.
 - ❖ Voluntary social responsibility requires business leaders to acknowledge and accept legitimate claims, rights, and needs of other groups in society.
 - ❖ CSR requires a respect for law and for the rules of that game that govern marketplace relations.
 - ❖ An attitude of “enlightened self-interest” leads socially responsible business firms to take a long-run view of profits.
 - ❖ Greater economic, social, and political stability – and therefore a lower level of social criticism directed toward the private enterprise system – will result if all businesses adopt a socially responsible posture

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CSR Trusts

- CSR Trusts defined
 - Will depend on your definition of CSR
 - Not necessarily a PBO
- Why a trust? Relatively unlegislated; Flexible; ease of administration; BUT for interest sake how do you vary such a trust?
- Examples:

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CSR legal framework

- No explicit legislation focusing primarily on CSR
- BEE Framework – including Act and Scorecards (elements of skills development, preferential procurement; enterprise development & socio-economic development)
- Companies Act – Regulations - no explicit reference is made to corporate social responsibility – certain companies must have *social* and ethics committees – functions set out in *Regulations*
- King II and King III – Reporting requirements
- SANS 26000:2010 (ISO 26000:2010) – *Guidance on Social Responsibility* – not a true standard against which performance can be measured

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Drivers of CSR

- Shareholder / investor activism – wants to invest in a socially responsible company
- Reporting requirements – eg Denmark
- Peer pressure – supply chain pressure
- Civil society pressures – NGOs - work of TAC
- Employees
- Consumerism – consumers willing to pay more for a product that was produced in a socially responsible manner
- Government pressures – through for example legislation

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Business case for CSR

- Redirecting business funds away from shareholders? Friedman
- Must be strategic – linked to core business
- Business case not been proven on balance of probabilities – nor totally discredited
- Businesses are expected to 'to good'
- Primary focus of business is on commercial aspect – no imperative for business to get involved in developmental issues
- Challenge: how to maintain profits on a sustainable basis whilst accepting social responsibility
- Basic premise – acting socially responsible positive impact on financial bottom line
- CSR – investment in the future

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Benefits of CSR

- ❖ Image & reputation – double edged sword
- ❖ Employee retention
- ❖ Cost savings – associated with for example installing energy efficient (environmentally friendly) light bulbs
- ❖ Revenue increase – financial bottom line – linked to image & reputation
- ❖ License to operate – business legitimacy
- ❖ Possible tax benefits? Contributions deductible - *Warner Lambert SA (Pty) Ltd v CSARS*

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Conclusion

- CSR often regarded as the panacea which will solve societal problems
- CSR have the ability to address some societal issues
- CSR initiatives benefit society and business



Questions and suggestions?



Thank you

