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Understanding the synergy between Corporate Social Responsibility, the Companies Act and B-BBEE Act

Corporate Social Responsibility (CSR) is a management concept according to which companies integrate social and environmental concerns into their business operations and interactions with their stakeholders.

CSR is generally understood as being the way in which a company achieves a balance between economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.

The B-BBEE Act attempts to address some of the inequality and injustices wrought by apartheid.

Through the economic upliftment of black citizens, the policy promotes the upliftment of broader society – bringing about much-needed socio-economic transformation.

CSR has strong ties to the objectives and purpose of the Companies Act and B-BBEE Act. In this blog, we will highlight how CSR overlaps with the objectives and purpose of the Companies Act and B-BBEE Act.

Why is it important for companies to adopt Corporate Social Responsibility?

It is extremely important for businesses to operate in a manner that illustrates social responsibility. Although not a legal requirement, it is considered good business practice to be mindful of social and environmental issues.

Times have changed and today social responsibility and moral practices are crucial for the success of a business. Adopting CSR can also bring about positive change for employees. However, there are many aspects to CSR, for example: how would the success of Corporate Social Responsibility be measured? Would it have been successful if employees and society at large are happier or because of the improved relationship between Top Management and lower Management levels?

How is Corporate Social Responsibility reflected in the Companies Act?

- Section 7 highlights the purpose of the Companies Act.

One of the objectives of the Companies Act is to promote the development of the South African economy by encouraging transparency and high standards of corporate governance.

The Companies Act–

- seeks to reaffirm the concept of the company as a means of achieving economic and social benefits (section 7(d));
- seeks to promote the development of companies within all sectors of the economy, and to encourage active participation in economic organisation, management and productivity (section 7(f));
- provides for Non-Profit Companies (NPCs) which are incorporated for the purpose of social activities, public benefits, cultural activities or group interests. The objectives for registering NPCs include the prevention of and education regarding HIV and AIDS, assistance to refugees, protection of the environment, animal welfare or child welfare and protection;
- Section 72 (4) requires certain categories of companies to appoint a Social and Ethics Committee to monitor the company's activities with regard to matters relating to social and economic development.
- One of the principles of The King Code IV on corporate governance is that the governing body should ensure that an organisation is and is seen to be a responsible corporate citizen.

How is Corporate Social Responsibility reflected in the B-BBEE Act?

Through *the different elements of B-BBEE*, companies are encouraged to play their part in the upliftment of black communities by working with Small, Medium and Micro Enterprises (SMMEs) and Non-Profit Organisations (NPOs).

The B-BBEE Act also encourages the participation of Designated Groups in shareholding, either directly or indirectly through trusts or NPCs. The Act also encourages companies to assist NPOs. This specific aspect is recognised under the Statement 500, Socio Economic Development. *The emphasis of the B-BBEE Codes is not merely on Social Responsibility, but, those social responsibility initiatives that enhance or promote sustainable economic development, upliftment and inclusion. B-BBEE is therefore more than mere social upliftment.*

Conclusion

To this end, the B-BBEE Act encourages the participation of companies in the economic upliftment of black citizens, facilitating much-needed socio-economic transformation, as well as the empowerment of suppliers. *B-BBEE objectives, together with CSR, are necessary elements in the positive socio-economic transformation of the country.* It is important to remember, however, that it is not about the empowerment of one group of people at the expense of another, but rather about increasing the economic participation of previously disadvantaged groups to the benefit of all. T***his is supported by the African concept of Ubuntu captured by the expression umuntu ngumuntu nga bantu and Motho Ke motho ka batho – I am because we are, you are because I am.A***

At SERR Synergy we synergise all legal requirements for businesses to become fully compliant, not only with the elements of the B-BBEE Codes of Good Practice but also with other legal compliance requirements.

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