

M&D Holdings Corporate Social Responsibility Statement of Commitment

Proposed by M&D Holdings Standing-subcommittee on CSR

04 June 2016

Background

The days when the government was seen as the exclusive social change agent and the absolute macro problem solver are becoming part of the past, as companies are gradually taking a larger role, actively participating in social and community projects under the concept of Corporate Social Responsibility (CSR).

The responsibility to contribute towards the creation of conditions through which an empowered, productive and developmental society emerges is increasingly becoming part of Business Development Strategies. This is because of the realization at highest corporate levels that business thrives under stable and developing economic conditions as it faces massive growth (maturity) opportunities. To this point, the most innovative business ultimately gets a lion share in the market.

Universal CSR Meaning

CSR refers to the generally voluntary involvement, or investment, of companies in social projects that help advance the society / the community in which they operate in areas such as **education**, health care, housing, safety, and the environment, among others.

South African Legal Framework for CSR

In South Africa, CSR is not only a frequent topic for conversation and debate, but also a tangible effort by many companies. The social picture of the country after the Apartheid era was one of marked inequalities in terms of education, infrastructure, economic power, and basic services access. The democratic regimes that have governed the country since 1994 have made important efforts in combating those social imbalances through different social programs and various public initiatives, but also through the impulse given to the private sector. Although the South African Companies Act 61 of 1973 does not oblige companies to engage in CSR projects, the country's Policy Document and the King II and King III reports explicitly address the need

and relevance for corporations to acknowledge all stakeholders and to adopt a “triple-bottom line” approach.¹ In particular, the King reports constitute accepted guides of best practices in corporate governance in South Africa, focusing on social, environmental and economic concerns. The King reports’ clauses are not mandatory, but they take a “comply/apply or explain” approach that somewhat forces corporations to apply CSR programs or justify why they have not adopted them.²

According to research, not all CSR efforts in South Africa result from voluntary or indirect business decisions; some of them are the product of corporate compliance with the Black Economic Empowerment (BEE) legislation.³ The BEE Act (as amended) 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 days and to help previously discriminated groups to actively participate in the country’s economy. Companies that refrain from complying with the BEE scorecard can obtain negative ratings, therefore complicating their ability to operate in the country. Corporations should not only see BEE as a way of ensuring black participation (ownership, management and development) 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. At the end, BEE is not exclusively intended to address racial imbalances; it also tries to strengthen the socio-economic spectrum of the country over the basis of equality and fairness.

Although generally large multinational corporations are the ones that are more dynamic on the area of CSR, more and more companies from a variety of sectors and of different sizes are starting to show interest in social responsible policies not only because of global growing trends and external pressures, but also because it can result in efficiency gains. Indeed **Porter and Kramer** (2011) indicate that addressing societal concerns (like energy and water usage, protection of the environment, employee safety, among others) could increase the levels of company productivity, with the subsequent positive effects in profitability and share value.⁴

Our beholden Principles of Commitment to CSR

In line with global trends, the M&D Holdings Corporate Business Strategy is beholden to the following universalized CSR principles:

- An ideal society whose citizens are empowered and are productive in terms of economic activities make business thrive as it inevitably faces massive growth and maturity opportunities ;
- Business cannot operate and thrive in isolation to the community;

¹ Dekker, A. and Esser, I. (2008). ‘The Dynamics of Corporate Governance in South Africa: Broad Based Black Economic Empowerment and the Enhancement of Good Corporate Governance Principles’. *Journal of International Commercial Law and Technology*. Vol 3, Issue 3, <http://www.jiclt.com>.

² Sustainability South Africa. King II Report on Governance in South Africa and King III report. <http://www.sustainabilitysa.org>.

³ *Ibid.*

⁴ Porter, M. & Kramer, M. ‘Creating Shared Value: How to reinvent capitalism-and unleash a wave of innovation and growth’. *Harvard Business Review*, January-February 2011.

- That good governance and social involvement go beyond the work performed in our own offices.
- That our Vision is shifting from one where shareholder's value and owner's satisfaction are almost the exclusive corporate goals to another one more sensible that considers and protects not only shareholders, but also all stakeholders; including employees, customers, suppliers, the environment and the community;
- That the adoption of a CSR posture does not result only from a generalized and progressive "change in corporate conscience", but also from **the need** to follow accepted business trends and standards, the potential enhancement of the company's image which can eventually translate into higher sales and lower employee turnover,
- The need to comply with relevant regulations and to satisfy the public scrutiny, among others. In any case, for one reason or the other, the consideration of the so-called "triple-bottom line", that incorporates people, planet and profit, is a reality within the corporate world that cannot be ignored by corporations claiming to have good governance policies and high moral standards;
- That it is crucial to adhere to South Africa's corporate guidelines and standards as contained and institutionalized in the well-known king reports.⁵

⁵ SAICA, <https://www.saica.co.za>.