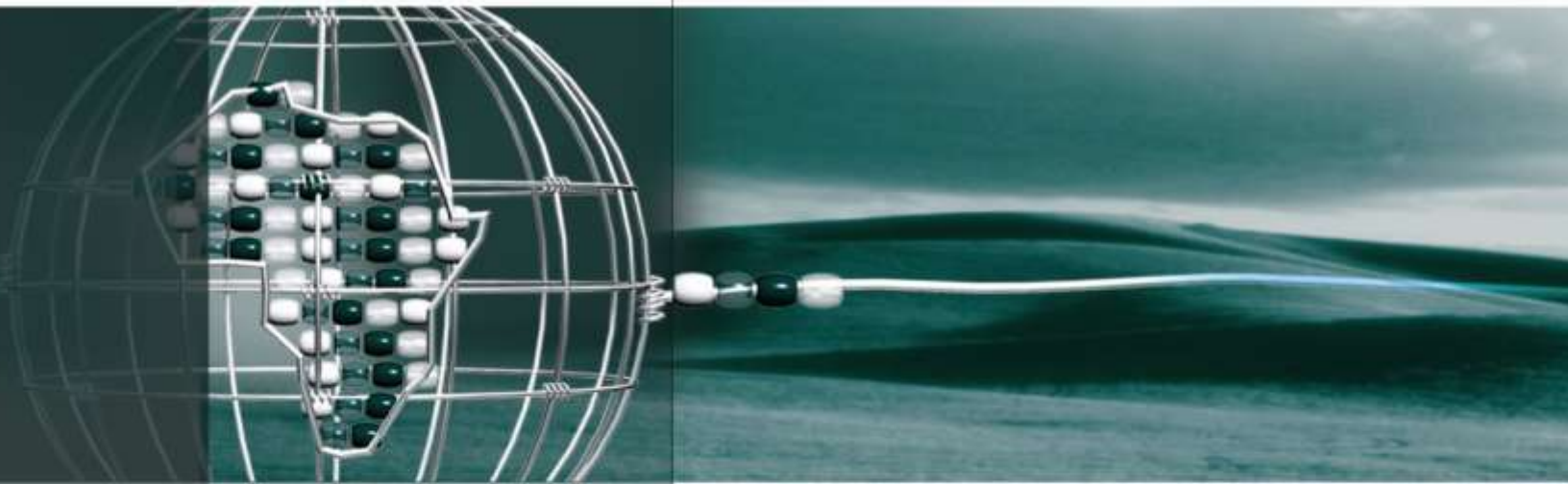




Global Compact Network South Africa

Communication on Progress



January to September 2007



1. Network Objectives and priorities

The National Business Initiative (NBI) took over as focal point to the South African Local Network of the Global Compact in the beginning of 2007. The network as previously driven by the African Institute for Corporate Citizenship (AICC) and the University of South Africa's Centre for Corporate Citizenship (UNISA CCC). The number of participants in South Africa has remained few over the years, and the activities of the network erratic.

The NBI, thus, has focused on the follow immediate objectives:

- Develop a robust governance structure for the Local Network
- Extensive consultation with various stakeholders associated with the UNGC and its principles
- Research into the UNGC as an initiative, and the South African landscape in each of the four categories of the principles
- Increase the number of participants in South Africa in order to create a critical mass and added legitimacy
- Raise awareness of the Global Compact amongst business, government, civil society, labour as well as society at large
- Support the communication on progress (COP) of existing participants to retain their participation
- Create a sense of legitimacy and prestige around participation in the UNGC

Longer-term objectives include:

- Supporting participants in their efforts to embed the principles into their corporate values, strategy and the day-to-day management of their operations.
- Encouraging, enabling and supporting collective action on the principles
- Adapting the principles, where necessary, for a local context
- Maintaining and increasing the numbers of participants
- Continuing work on awareness-raising and the creation of a sense of legitimacy and prestige around the initiative
- Supporting a high level of COP

2. Organisation

The Focal Point

The [National Business Initiative](#) (NBI) is the focal point of the South African Local Network. The NBI is a non-profit organization that functions as a voluntary business coalition of 140 companies committed to enhancing the business contribution to sustainable growth and development. The NBI was founded in 1995 and has since 2003 been the South African regional partner to the World Business Council for Sustainable Development (WBCSD).

Broadly speaking, the organization is concerned with sustainable development and has three units concerned with skills and education, enterprise development, and sustainable development with a focus on environmental issues, respectively. The last-mentioned is housed in the Sustainable Futures Unit (SFU), which drives the Global Compact.

Global Compact Project Manager: Ms Hermien van der Walt
SFU director: Ms Valerie Geen

The Steering Committee

The South African Local Network is guided by an advisory committee chaired by Ms Futhi Mtoba, Chairman of Deloitte South Africa and member of the international Global Compact Board. The committee is comprised of individuals from the following organizations:

| Organisation | Category |
|---|----------------------|
| Deloitte | Business |
| Sasol | Business |
| Gold Fields | Business |
| Eskom | Business |
| AngloGold Ashanti | Business |
| Business Unit South Africa | Business Association |
| Chamber of Mines | Business Association |
| World Wildlife Fund: South Africa | Civil Society |
| Inter-faith Community Development Association | Civil Society |
| AICC | Civil Society |
| Department of Environmental Affairs and Tourism | Government |
| COSATU | Labour |
| UNIDO | UN Agency |
| UNGC Regional Learning Forum | UNGC |
| National Business Initiative | Focal point |

The South African Human Rights Commission participates in the meetings as an invitee.

The advisory committee meets quarterly. It was established in 2007 and has met twice and also held a strategy session. An outcome of the most recent meeting in September is that sub-structures be formed to consider particular areas of interest of the Network.

3. Participation

Participants

The organizations below are current South African participants to the UN Global Compact:

| Organisation | Type | Sector | Joining date |
|--|--------------|---|---------------------|
| Adecco Recruitment Services Pty Ltd | SME | Human Resources | 2005/03/18 |
| AngloGold Ashanti | Company | Metals & Mining | 2004/08/04 |
| Bathabile Holdings | Company | Finance & Insurance | 2007/08/16 |
| Bonnie Delta | SME | Other | 2005/01/26 |
| City of Tshwane | City | Not Applicable | 2006/02/21 |
| Confederation of South African Trade Unions (COSATU) | Labour Local | Not Applicable | 2003/05/21 |
| De Beers | Company | Metals & Mining | 2005/03/02 |
| Deloitte South Africa | Company | Professional, Scientific and Technical Services | 2007/03/29 |
| ESKOM | Company | Utilities | 2000/07/26 |
| Exxaro Resources Ltd. | Company | Metals & Mining | 2007/05/24 |

| | | | |
|--|----------------------------|---------------------------------------|------------|
| First Rand Limited | Company | Finance & Insurance | 2006/02/10 |
| Global Alliance for Improved Nutrition (GAIN) | Foundation | Other | 2004/08/04 |
| Gold Fields Limited | Company | Metals & Mining | 2006/10/13 |
| Mail & Guardian | SME | Media, Communications & Entertainment | 2006/06/19 |
| Merck Pty Ltd | Company | Pharmaceutical & Biotechnology | 2006/09/08 |
| Nedbank Group | Company | Finance & Insurance | 2005/10/11 |
| Old Mutual South Africa | Company | Finance & Insurance | 2007/09/26 |
| Rand Water | Company | Utilities | 2006/01/25 |
| Sasol Ltd. | Company | Chemical | 2001/08/22 |
| Services Sector Education Training Authority (SSETA) | Business Association Local | Unknown | 2003/09/06 |
| Southern Trident Pty Ltd | SME | Manufacturing | 2006/12/22 |
| Starlite Aviation Pty. Ltd. | SME | Aerospace & Aviation | 2006/05/16 |
| University of South Africa | Academic | Education | 2005/10/26 |

The table below gives an indication of the various types and sizes of organizations:

| South African Local Network: 23 participants | | | |
|---|-----------|---|----------|
| Business Participants: 18 | | | |
| Companies | 13 | SMEs | 5 |
| Metals and Mining | 4 | Media, Communications and Entertainment | 1 |
| Finance and Insurance | 4 | Manufacturing | 1 |
| Utilities | 2 | Aerospace and Aviation | 1 |
| Professional, Scientific & Technical Services | 1 | Other | 1 |
| Pharmaceutical & Biotechnology | 1 | Unknown | 1 |
| Chemical | 1 | | |
| Other participants: 5 | | | |
| City | 1 | Local Labour Union | 1 |
| Foundation | 1 | Local Association | 1 |
| Academic Institution | 1 | | |

Government Relations

Historically, the Department of Trade and Industry (DTI) has been the lead government department on the UNGC. As such Ms Dorah Nteo, Director of Environment at the DTI, was invited to sit on the Local

Network advisory committee. Ms Nteo has since left the DTI to join the Department of Environmental Affairs and Tourism (DEAT). She retains her position on the advisory committee.

In late August, Ms Nteo arranged an inter-departmental meeting within government to discuss its role regarding the Global Compact. The meeting used the "*Role of Governments in Promoting Responsible Corporate Citizenship*" document from the Leaders Summit in 2007 as a point of discussion and broadly agreed with its recommendations.

The outcome of the meeting was that the DTI would continue to act as the lead department on the UNGC and would have further consultations on its contribution. The NBI is very committed to building and maintaining a strong link with government on the UNGC and is in the process of arranging meetings with the department to discuss its role further.

4. Activities

The NBI's key focus areas for 2007 fall into the first four headings below:

4.1. *Raising Awareness and Creating a Sense of Legitimacy and Prestige around the Global Compact*

Quick Briefs

The NBI disseminates *Quick Briefs*, which are short (600-word) briefs on various issues relating to the organisation's work. They are sent via email to over 2 500 local and international stakeholders. Four *Quick Briefs* related to the UNGC have been distributed in the review period (please see Addendum A for full texts):

- *Ban Ki-moon: "Market leadership and sustainability leadership go hand in hand"*, 12 July 2007
- *Promoting Responsible Business Leadership through the UN Global Compact*, 07 June 2007
- *Corporate reporting goes beyond financial reporting*, 02 May 2007
- *Sustainability? SA Business in the Democratic Republic of the Congo*, 02 April 2007

To view the online versions, please go to: [NBI Quick Briefs](#)

On A Clear Day

On a Clear Day is another e-newsletter of the NBI that rounds up sustainable development news from the local and international media. Since becoming focal point to the UNGC, the NBI has proactively started including articles on the UNGC, as well as its principles. *On a Clear Day* is a well-respected local publication with a subscription of over 1 000 individuals largely from business and including several senior executives and government officials.

To view the online versions, please go to: [On a Clear Day](#)

Executive Guide

A popular information tool the NBI has developed is our *Executive Guide* series. They are issue-specific leaflets designed to give executives a good understanding of a particular issue within 600-800 words. Previous topics have included Climate Change, Energy Efficiency, the State of the Planet, HIV/Aids, Biodiversity, Tools for Sustainable Development and Non-financial Reporting. The branding (please see side image and kindly note that the new UNGC logo has not been incorporated yet and a quote from the Secretary-General will be inserted) for a Global Compact Executive Guide has been developed and the text will be finalized after the Monterrey Networks Forum. The major differentiating factor from the standard UNGC brochure will be the inclusion of South Africa-specific information.



Bulletin

Branding and technical processes have been developed for a focused Local Network bulletin. It is anticipated that it will be used to advise interested parties and participants in particular, of up-coming events, interesting articles, new participants, etc. The header will follow the look and feel of the Executive Guide above.

Print and Online Media

- The NBI submitted an article for the Compact Quarterly, which was included in Issue 1, 2007. (Addendum B)
- The NBI disseminated a media release the Tuesday after the Leaders Summit, which was picked up and printed by Management Today. (Addendum C)
- An article along similar lines was written for Mind Shift Magazine, and appeared in their September edition. (Addendum D)
- The NBI included the Global Compact in an article for Enterprize Magazine



Awareness Events

The NBI held a “Global Compact Networking Event” for current GC participants, interested parties, and individuals taking part in the African Regional Meeting on 28 May 2007. Deloitte South Africa hosted and sponsored the event which was attended by about 40 guests and followed by a cocktail reception.

4.2. Increasing the Numbers of Participants

The figures for business participants in Africa from May to September 2007 are as follows:

| Business Participants in Africa | | | |
|--|------------|-------------|----------------------------------|
| Country | May | Sept | New Order |
| Nigeria | 27 | 30 | Nigeria |
| Zambia | 24 | 21 | Kenya |
| South Africa | 18 | 19 | Zambia |
| Ghana | 17 | 17 | South Africa / Mozambique |
| Mozambique | 15 | 19 | Ghana |
| Kenya | 13 | 28 | Côte d'Ivoire |
| Malawi | 12 | 8 | Malawi |

South Africa has experienced the following changes:

Gained: Old Mutual
Bathabile Holdings
Exxaro
De Beers

Inactive: Barloworld
Health Management Institute
Waymark Infotech

The NBI has been in contact with Barloworld, which has, following organizational changes, recommitted itself to the UN Global Compact. A COP has been developed and is nearly ready for submission. While the NBI is committed to gaining and retaining all participants, it is encouraged over the increase in large corporates.

To stimulate further interest, the CEO of the NBI, Mr Andre Fourie, has sent over 160 letters to CEOs from South African companies requesting their participation in the Global Compact. The first letters were sent at the beginning of August and form part of a focused campaign to gather 100 signatories over the next two years from now. Where possible, the individual within the company responsible for corporate social responsibility (CSR) has been copied and followed-up with.

In addition to continuing awareness-raising, two events have been planned to support additional participation: a recruitment workshop, and a public signing event. The recruitment workshop is planned for late November and will feature existing participants discussing their experience around the Global Compact in a frank and inspirational manner, with an emphasis on peer-to-peer discussion.

The signing event is scheduled for mid-February, where the NBI anticipates a public commitment from no less than 20 new participants. In the meanwhile, all companies will continue to be invited to Local Network events.

4.3. Embedding the Principles

This item is in the longer-term where the NBI will focus most of its attention. Up until now, the organization has been engaged in research and consultation on the Global Compact in general, as well as particular principles that our stakeholders have brought to our attention.

Consultations have been held with the Regional Learning Forum, various South African UN Agencies, several business participants, government and civil society organizations.

Based on the advice of these stakeholders and in particular the Local Network advisory committee, the NBI is planning on some engagement on all of the principles to some extent, but with a focus on human rights, anti-corruption and the role of South African business in the rest of Africa.

The organization is keen on helping companies to embed the principles by offering them a platform for learning, debate, and discussion on pertinent issues facing their businesses, as they relate to the principles. The NBI hosts such discussions in various forms. These include CEO dialogues, senior executive peer-to-peer discussions, and practitioner-level events. Each of these may take a business-only or multi-stakeholder approach.

Discussions that have been held this year include:

- Networking event mentioned above
- A dinner between senior executives from business and the CEO of the Global Reporting Initiative (GRI) to discuss the state and future of non-financial reporting and how it relates to the Global Compact
- The NBI co-hosted a discussion with the UNGC Regional Learning Forum on responsible business in the Democratic Republic of Congo
- The NBI co-hosted a discussion with the Freie Universität Berlin, Germany and the European University Institute, Italy on the role of business in fostering regulation in weak governance zones.

4.4. Supporting Communication on Progress

In the review period, the UNGC Regional Learning Forum retained responsibility over COPs for the initial few months. Since then, the NBI has been reminding companies whose COPs are due, to submit them and has prepared one COP on behalf of a company.

The NBI also spoke at an AICC ReportCom event on “Reporting on Human Rights through the Global Compact” to an audience of about 40 guests.

As per the most recent statistics, the state of COPs in South Africa is as follows:

In the category of smaller networks (less than 50 participants):

- SA has a 59% capture rate
- SA is placed at 13/29
- 55% is the average capture rate for the group

Two participants are currently listed as non-communicating and five are inactive.

4.5. Other

Monitoring and Evaluation

The Regional Learning Forum received funding for a monitoring and evaluation (M&E) project, which the NBI undertook in their behalf. It consisted of three case studies, a desktop study and a baseline study (conducted via a survey that went out to over 600 South African companies).

Leaders Summit

The NBI actively promoted South African companies’ participation in the Leader Summit in Geneva in July. In the end, executives from Sasol, Eskom, Deloitte, Nedbank, Gold Fields, the Mail & Guardian, Old Mutual, Harmony Capital, the Public Investment Corporation as well as the NBI attended.

The feedback was unanimously positive and following a separate meeting between the South African delegation at the Summit, several executives committed themselves to taking on a leadership role around the UNGC locally.

4.6. *Activities planned for the following year*

The focal point is planning various dialogues on human rights (focusing on South Africa-specific issues), anti-corruption and the role of South African business in the rest of Africa. No partnership projects or specific initiatives have been planned, however these may well emerge as the dialogues progress.

The NBI has also engaged with the UNEP-FI/UNGC Principles for Responsible Investment's Emerging Markets Project Manager. We discussed a joint discussion on responsible investment. The NBI is also hosting a CEO lunch on the business role in anti-corruption with PACI in October.

5. Progress

Progress

The Local Network has progressed well in terms of its governance structure, research, communication and awareness. While the focal point intentionally put activities (such as dialogues) on hold in order to get the basics right, it is in retrospect a shame that we did not have one or two more – if only to keep a sense of momentum going. Communication on progress will also be addressed more actively in the following year.

Challenges

There have been a few challenges in the past year. A big issue has been the fact that the current focal point has inherited an initiative; both in the sense that the UNGC is a global initiative of which the South African Network is a part, and in the sense that other organizations have played a role in it here before it. The NBI has had to put a fair amount of work into dealing with degrees of confusion, negativity and skepticism as a result. It has addresses this in part through extensive consultation and communication, and by maintaining a very positive approach.

A second issue has been in gathering new participants. Several local companies that have already signed-up globally have been reluctant to recommit locally. The NBI has tried to make it clear that there local issues regarding the ten principles that need local leadership. Another blockage to a broader up-take of the UNGC is the fact that local legislation is very robust, giving the impression that a voluntary initiative is redundant. Additional obstacles that have been identified are:

- Code fatigue
- Added burden of reporting
- Mistrust of participants' commitment to principles
- Principles too broad
- Lack of weight of UNGC in SA
- UN relationship not as important to business in SA as abroad
- Principles do not obviously speak to SA priorities; insufficient understanding of human rights

Lastly and perhaps most significantly, becoming focal point has opened up the organization to new playing fields and thus a host of new stakeholders. These include the UN system, different companies, several different NGOs, international organizations, etc. Even where the NBI is engaging with existing stakeholders, this new role has called for a new approach to existing relationships.

The challenges associated with this have been:

- balancing existing relationships with the organization's new role;
- understanding and 'placing' all the new stakeholders;
- identifying where partnerships may add value, and where there may not be capacity to do so;
- balancing conflicting expectations from various stakeholders; and
- entering new areas of work (e.g. human rights) with respect for existing organizations in the field.

The NBI has gone through considerable effort to manage these challenges and turn them into opportunities.

Attachment: South Africa Local Network Fact Sheet for 2007

| Network Management | | | | | | | | | | |
|-----------------------------------|---------------------------|--|---|---------------------------|---|---|------------------------------------|----------------------|--------------------|--------------------------|
| Annual Network Meeting (yes/no) | COP facilitation (yes/no) | Helped to facilitate other integrity measures (yes/no) | Website (if yes, URL) | Name Focal Point | Steering Committee (yes/no) | SC has non-business participants (yes/no) | Secretariat hosted by | Member fees | | |
| Yes | Yes | No | Yes, but more will come: http://www.nbi.org.za/welcome.php?pg=14 | Hermien van der Walt, NBI | Yes | Yes | National Business Initiative (NBI) | No | | |
| Number Local Network Participants | | | | | | | | | | Government participation |
| TOTAL | MNCs | SMEs | Micro-enterprises | Business Organization | CSR Organization | Labour Organization | Civil Society organizations | Academic Institution | Other Stakeholders | Yes/ no |
| 23 | 15 | 5 | None | None | None | 1 | None | 1 | Yes | Yes |
| Number of Activities | | | | | | | | | | |
| Outreach Events | Learning Events | Policy Dialogues | Partnership projects | Cooperation with other LN | Other activities | | | | | |
| 1 | 3 | 0 | 0 | 0 | Research, consultation, communications and awareness. | | | | | |

ADDENDUM

ADDENDUM A: QUICK BRIEFS

Corporate reporting goes beyond financial reporting, 02 May 2007

When all you have is a hammer, everything looks like a nail", said Ernst Ligteringen, CEO of the Global Reporting Initiative (GRI) at a recent dinner hosted by the National Business Initiative (NBI), as an explanation to why corporate reporting must go beyond financial reporting. In other words, when a company's reporting tool considers only quantifiable financial matters, all costs and benefits appear to be of a financial nature only.

In support of the business case for non-financial reporting, Ligteringen contended that all matters material to business are not always obviously financial. The world's population is expected to balloon from its current 6.2 billion, to roughly 9 billion in 2050. This entire growth is expected in the developing world, where climate change, water stress, resource constraints, human health and poverty remain serious threats to society and the private sector alike.

In a rapidly changing world, stakeholders increasingly expect to be informed of how businesses deal with these issues from both a risk and social responsibility perspective. Since it was established in 1997/98 - the GRI's reporting guideline (now its third iteration) has become the global benchmark for triple bottom line or non-financial reporting.

As corporate social responsibility becomes part of the everyday life of a corporate and the links between social inequity, environmental degradation and the financial bottom line become clearer, so has the pressure to comply with a plethora of charters, indices, codes and principles and their inevitable reporting requirements. Unsurprisingly, business has indicated a need for more consolidation of non-financial reporting between various initiatives.

For example, the percentage by continent of all GRI reporters mirrors to a margin of no more than two percentage points that of participants in the United Nations Global Compact (UN GC) around the world. Global Compact participants are required to produce an annual "communication on progress" on commitment to ten principles in the areas of human rights, environmental protection, labour relations and anti-corruption.

André Fourie, CEO of the NBI, reported that the NBI has been appointed as the focal point of the UN GC in South Africa. As such, the NBI is keen to avoid a duplication of reporting procedures. With cognisance of this challenge that business faces - and the threat of "code fatigue" - the GRI and the Global Compact have partnered to develop a useful tool, titled "Making the Connection: Using GRI's G3 Reporting Guidelines for the Communication on Progress" (Pdf).

Ligteringen said that the GRI aims to make reporting "viable and valuable". In support of this, the aforementioned third edition of the guidelines - the G3 for short - emphasizes the principles of reporting, with a focus on the principle of materiality in particular. Materiality is what will get stakeholders reading the reports and drawing value from them. The G3 guidelines have also moved to a greater disclosure on strategy, with fewer indicators and more results-driven information.

He added that the majority of stakeholders are unlikely to read an entire corporate sustainability report, and experience rather suggests that a report is consulted on particular issues as they arise. A successful report is one that makes such critical information available and gives the company an opportunity to state its case.

Comparability between reports is essential element of the GRI, but needs to be balanced with sector-specific issues, as well as country specific priorities. Black Economic Empowerment is a good example in a South African context. The GRI has developed, and will continue to develop sector supplements to address this. On the horizon are also country annexes, to be developed in partnership with local companies.

In conclusion Ligteringen said that South Africa, as a key emerging economy with a sophisticated business sector, has an important role to play in furthering the GRI, as well as CSR generally.

While well over 50 leading South African companies already use the GRI guidelines, and a number have received international accolades for their reports. The GRI's vision is that reporting on economic, environmental, and social performance by all organisations becomes as routine and comparable as financial reporting, indicating that the journey has just started.

If you have produced a GRI report, please contact the GRI secretariat (info@globalreporting.org) or [register it online](#) so that it may be reflected on their website.

Sustainability? SA Business in the Democratic Republic of the Congo, 02 April 2007

Often referred to as Africa's Second World War, the conflict in the Democratic Republic of the Congo (DRC) has claimed the lives of over three million people. The five-year conflict supported by various African states, pitted government forces against rebels backed by international and African resources. Following a peace deal, the formation of a transitional government, and finally, successful democratic elections in 2006, the question of how companies should do business in such fragile societies is high on the sustainable development agenda.

Companies operate in conflict-prone countries and weak states around the world. Their decisions, on investment and employment, on relations with local communities, on protection for local environments and on their security arrangements - can help a country turn its back on conflict, or exacerbate the tensions that fuelled the violence in the first place.

The uncertain regulatory environments in such countries force corporations to determine their own best practice. This is where an initiative such as the [United Nations Global Compact](#) (UNGC) can play a particularly meaningful role. Its Ten Principles in the areas of human rights, labour, the environment and anti-corruption are based on internationally accepted best practice in the respective areas.

With investments of roughly US\$1.4bn per year in the last decade, South Africa is the top investor in the rest of Africa. For example, Eskom which operates in over 20 African countries, is exploring opportunities in 10 others - and is to engage in a R24-billion cross-border infrastructure project. Spoornet owns or operates significant parts of Africa's rail infrastructure.

Nine out of ten of the continent's largest non-financial transnational companies (ranked by foreign assets) in 2004 were from South Africa. As such, the role of South African businesses in Africa has been an issue of regular public debate.

Though it is geographically located in Central Africa, the DRC is economically and regionally affiliated with Southern Africa as a member of the Southern African Development Community. South Africa's trade with the nation is growing steadily as a growing number of South African companies have started to invest in the DRC in recent years. The government is also engaging in bilateral agreements with the DRC, particularly in support of the decentralization process.

In this context, the UN Global Compact Regional Learning Forum recently organized a small consultative meeting supported by the [National Business Initiative](#) (NBI) to explore challenges and opportunities

around business engagement in the country, with a particular focus on the potential role of the UN Global Compact.

There was a degree of optimism amongst stakeholders around investment in the DRC. With the democratization process underway, there is a growing sense that responsible business engagement could make a difference in the right direction and that the Global Compact could serve as the appropriate framework.

A key challenge that emerged was that although several stakeholders in the country are engaged in some form of social investment, there was no consolidation of efforts. The many different aid agencies work past each other, businesses operate their individual programmes, and the SA government's successful interventions don't currently include business as a key partner.

The discussion group concluded that from a business perspective, meaningful intervention in the DRC would have to take the form of a multi-stakeholder forum with pooled resources, focusing on a few priority issues. Furthermore, it was felt that support for the consolidated effort should be led by a local organisation within the DRC in order to have real legitimacy. The dialogue was part of the NBI's commitment to assist member companies to engage with critical sustainable development issues and to encourage mutual learning through the sharing of corporate citizenship experiences.

The NBI has recently been appointed as the Focal Point of the UN Global Compact in South Africa. Companies interested to explore or sign the UNGC declaration are encouraged to contact the NBI.

Promoting Responsible Business Leadership through the UN Global Compact

Participation of companies in the UN Global Compact is symbolic of good corporate citizenship in South Africa. These were the opening remarks of André Fourie, CEO of the National Business Initiative (NBI) at the recent UN Global Compact Networking Forum. The forum covered discussions on corporate social responsibility and the role of the Global Compact in South Africa and was attended by business and regional UN Global Compact representatives including focal point representatives from Mozambique, Malawi, Ghana, Kenya, Madagascar and Sudan.

Fourie added that the NBI's focus is to promote responsible business leadership and the organization is privileged to be playing a critical role as the new Focal Point of the UN Global Compact in South Africa. The Global Compact requires companies to embrace, support and enact, within their sphere of influence, a set of core principles in the areas of human rights, labour standards, the environment, and anti-corruption.

According to Fourie, SA business must keep abreast of what's happening on a global scale in order to be competitive. However, issues facing SA such as Black Economic Empowerment, HIV/Aids and skills development cannot be ignored and present the local context within which the principles need to be applied.

Stiaan Wandrag, Sustainable Development Advisor at Sasol, a world leader in the synthetic fuels production, said that his company had signed the Global Compact in 2001. Transparency in the working environment is very important as the organisation operates in other parts of Africa and Europe with expansion underway in China. "We face many challenges when operating outside South Africa, such as human rights, bribery and corruption, labour relations, culture, and environment," commented Wandrag. Signing the Global Compact assists companies with their governance assessment against the UN Global Compact Ten Principles. For example, Wandrag added, "Companies such as Sasol experience huge human rights challenges when operating in a country with weak corporate governance reporting measures."

Ms Futhi Mtoba, Chairman of the Board of Deloitte South Africa, member of the international Global Compact Board as well as Chair of the South African Advisory Committee, emphasized that the Advisory Committee wants to bring the Global Compact "home" by making it relevant to the South African context. The Committee, which is made up of signatories, labour, civil society and government representatives met for the first time in May this year. "The engagement was vibrant and business can expect a lot coming out of this group and the NBI is well-known for getting the job done," said Mtoba. The proposed plan of action includes:

- Increasing participation of companies and stakeholders in the UN Global Compact in South Africa;
- Raising the bar by giving a clear understanding of the Global Compact and requirements for corporate responsibility in the South African market;
- Meaningful engagement with signatories and prospective signatories on some issues/principles which are of priority for South Africa; and
- Sustainability reporting - integrated approach to have one report which can serve many reporting channels.

Although the Global Compact has 4000 companies from 110 countries, Mtoba pointed out that some companies are still not communicating on progress. This has forced the Board to consider measures to enhance attracting companies who will show greater commitment to the Global Compact.

There are currently 18 companies who have signed up in South Africa. Deloitte has become the most recent signatory and has already started outreach to its clients.

In his closing remarks, Wandrag advised companies to sign up to the Global Compact. "But you need to work with the NBI and the local Global Compact office to find out the implications of signing up."

Fourie concluded that the NBI will be signing up to the Global Compact and is aiming to inspire at least 100 corporate signatories in the next three years.

Ban Ki-moon: "Market leadership and sustainability leadership go hand in hand", 12 July 2007

Last week United Nations (UN) Secretary-General Ban Ki-moon hosted nearly 1 000 business leaders, politicians and civil society representatives from around the world in Geneva in what has been called the largest-ever gathering on leadership and corporate citizenship. South Africa was represented by top executives from Sasol, Eskom, Deloitte, Nedbank, Gold Fields, the Mail & Guardian, Old Mutual, Harmony Capital, the Public Investment Corporation and the National Business Initiative (NBI).

Every three years, the UN Global Compact - a global corporate citizenship initiative conceived and launched by Kofi Annan in 2000 - convenes such a Leaders Summit to mobilise business leaders towards best practice in the areas of human rights, labour practices, environmental protection, and more recently anti-corruption. The underlying rationale is that in a globalised world responsible business practices not only contribute to the well-being of stakeholders, they have increasingly become a long-term value proposition for business itself. It makes business sense for companies to invest in creating a sound environment in which to do business, to minimize risks and to harness new business opportunities by supporting developing and emerging markets. Hence the theme of this year's discussion: "Facing realities; getting down to business."

South African business leaders saw the discussions unfold through a unique perspective. Despite the reality of South Africa's "dual economy", the country has a world-class formal private sector which operates under robust legislation, and boasts internationally acclaimed responsibility products such as the King Code on Corporate Governance II, and the JSE Socially Responsible Investment (SRI) Index. When it comes to good corporate citizenship, our top companies regularly feature favourably and often play a

positive leadership role in strengthening local small and medium enterprises through extending these policies to their supply chains.

At the Summit, global non-profit AccountAbility launched their 2006 State of Responsible Competitiveness report. South Africa emerged in the 28th spot making it the top-performing emerging economy raking well above the likes of Brazil (56), China (66) and India (43). The index assesses countries' progress in promoting responsible business through key developments in areas such as climate change mitigation, labour standards, anti-corruption and equality. The report concludes that responsibility makes business easier.

This finding is supported by another report released at the summit by Goldman Sachs, which shows that companies that are considered leaders in implementing environmental, social and governance policies to create sustained competitive advantage have outperformed the general stock market by 25 per cent since August 2005.

The report further points to emerging international trends that resonate with the South African experience. Changing gross domestic product, population growth, urbanisation and resources constraints all feature on the local agenda. While a number of the other trends, like shareholder and consumer activism, do not currently act as prominent drivers for responsible business in SA, they will undoubtedly do so soon.

Rankings aside, SA and its private sector face serious challenges which may constrain meaningful growth. Poverty and unemployment, the skills shortage, HIV/Aids and the energy capacity challenges are drivers for South African companies to think more broadly and responsibly about their business practices as a matter of long-term survival and sustainability. As one of the world's most energy intensive economies, South Africa is also being put under international pressure over its contribution to climate change. Pressure is mounting for South Africa, and other emerging economies that are driving international energy demand, to accept carbon emission caps after the first commitment period of the Kyoto Protocol ends in 2012.

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Global Compact board member, Sir Mark Moody-Stuart, observed that progress was being made. "At the first summit three years ago, many companies subscribed to the Global Compact principles because it sounded like the right thing to do, but did not really know how to put them into practice. We are now moving forward towards implementation," he said.

Almost 4 000 organisations from 116 countries, among them trade unions, non-governmental organisations (NGOs) and about 3 100 businesses, have so far subscribed to the Global Compact, pledging to observe the ten universal principles related to human rights, labour rights, the environment and the struggle against corruption.

While not a new initiative in South Africa, it has not enjoyed a strong up-take since 2000. The NBI, which has recently been appointed as the driver of the Global Compact in South Africa, believes that the low number of participants does the country a disservice as it misrepresents the kind of commitment its private sector shows to responsible business. With the support of active local participants such as Sasol, Deloitte, Gold Fields, Nedbank and Eskom it is set to change this and enhance companies' commitment to human rights, labour relations, environmental protection and anti-corruption.

ADDENDUM B: COMPACT QUARTERLY ARTICLE. ISSUE 1, 2007

Corporate Responsibility in South Africa: Where do we stand?

by Hermien van der Walt, National Business Initiative and GC Focal Point

The founding values of the South African democracy include human dignity, the achievement of equality, the advancement of human rights and freedoms and respect for fundamental principles of democracy. In the pursuance thereof, the national government undertook a massive legislative overhaul, growth-orientated fiscal policies, accelerated service delivery programmes, black economic empowerment initiatives and skills and education programmes. Business has been an integral part of these processes and will continue to be an active partner in promoting sustainable growth and human development.

The National Business Initiative (NBI) was founded in 1995 as a voluntary vehicle for collective business action towards shared and sustainable development. Throughout the years, and as national priorities have evolved, the NBI as a coalition of 140 member companies has engaged in priority issues of the day such as economic development, crime prevention, schooling, further education and training, public private partnerships and more recently sustainable development.

In January 2007, the National Business Initiative stepped in as the Focal Point to the UN Global Compact in South Africa. The principles and objectives of the Compact fall largely in line with those of the NBI and mirrors the voluntary nature of NBI membership. The years 2000-2001 saw the first South African companies, such as committed NBI member companies Eskom and Sasol, sign up to the Global Compact. By the end of 2006, the number had grown to 17.

South African society is governed by a modern constitution – one with a strong social agenda and one of the few globally that provides for a clean and protected environment as a human right. Stemming from this, much of the country's legislation – particularly its environmental legislation – is world class.

South Africa is also home of the King Code on Corporate Governance, a seminal piece of work on corporate governance internationally. Giving teeth to this voluntary code, the JSE Securities Exchange requires that listed companies comply with King II. This code mentions social and environmental performance as part of good corporate governance.

In 2005 the JSE also launched its Socially Responsible Investment (SRI) Index, which comprises over 50 companies that adhere to a set of Criteria. The Criteria were developed from a variety of source documents, including Ten Principles of the Global Compact. With this context in mind, it is surprising that only 17 companies have signed up to the Global Compact in South Africa. Or is this is the very reason more haven't?

Policy, codes and regulation aside, is all well at home?

Anti-corruption. According to global watchdog Transparency International, South Africa is the second least corrupt country in Africa. It came in 51st place out of the 163 countries surveyed and ranks far above other major emerging markets Brazil, China, India and Mexico who all tied for 70th place. The 2006 index points to a strong correlation between corruption and poverty, with a concentration of

impoverished states at the bottom of the ranking. But with a score of 4.5 out of 10 and widespread poverty, South Africa has a way to go yet.

Environment. On its environmental performance, the Yale University Environmental Law and Policy Centre's 2006 Pilot Environmental Performance Index gives a good perspective. South Africa ranks well in Sub-Saharan Africa at 4th place, but much less so when compared to all the participating countries – at 76 out of 133. The report concludes that wealth and environmental governance are the key determinates of environmental performance. This indicates a divide between South African policy and practice.

Human Rights & Labour. The country's labour practices are well governed, in stark contrast to the apartheid era, where discrimination was rife, labour rights severely constrained and freedom of association and collective bargaining were illegal for long periods.

On the issue of child labour, national legislation determines that children under the age of 15 may not be employed, while children from 15-18 years of age may not be employed for age-inappropriate or high-risk work. Despite this, a study conducted by the National Child Labour Action Programme for South Africa in 2005 found that about one in every 31 children between the ages of 5 and 15 engaged in "economic" work for twelve or more hours a week. Unsurprisingly, the main reason cited was to provide financial support to their families. Though currently largely un-quantified, child-headed households due to HIV/Aids will increasingly feature as a cause of child labour. And while the study found that child labour was most likely in rural and commercial farming areas, suggesting that large and medium-sized enterprises are not directly responsible, a case can however be made for closer scrutiny of supply chains.

Since coming to office in 1994, the democratic government of South Africa has also made strong, legally binding commitments to uphold and promote gender equality. South Africa ranks 18th out of 115 countries surveyed in the World Economic Forum's 2006 Global Gender Gap Report, which measures progress made in narrowing the inequality gap between men and women. South Africa was ranked number one in Africa, scoring particularly well for political empowerment, with 41% of its Cabinet ministers and 33% of its members of Parliament being women.

But on the business side, only 46% of SA women were found to be employed compared to 79% of men, and earned on average less than half that of their male counterparts. Furthermore, the 2006 South African Women in Corporate Leadership census found that out of the 343 companies surveyed only seven had female CEOs, 15 had women chairing their boards, 11.5% had female directors and 16.8% had female executive managers.

The government has also undertaken a massive black economic empowerment (BEE) programme to redress social inequities as well as to realize the country's growth potential. Criticism has been levelled at the government and business alike, that BEE has not been broad enough – that only an elite group of black business men and women have benefited from the strategy.

With due recognition of the significant challenges that South Africa faces, its regulatory environment and fiscal policy is robust. The same is however not true for all other African countries, many of which host South African operations.

Often referred to as the economic powerhouse of Africa, South Africa has significant business interests across the continent. For example electricity utility, Eskom, operates in over 20 African countries, is exploring opportunities in 10 others, and is to engage in a R24-billion cross-border infrastructure project. Another parastatal, Spoornet, owns and operates 80% percent of Africa's rail infrastructure. A government-sanctioned human rights code for SA parastatals operating in Africa is in the cards. Nine out of ten of the continent's largest non-financial transnational companies (ranked by foreign assets) in 2004 were from South Africa. Three of these are local Global Compact signatories.

Apart from its business interests in the continent, the country has political and social interests in the success of Africa. But more significantly in this context, global perceptions of individual African countries often operate on a continental scale – in this mindset: what Africa is, South Africa is too.

The Global Compact in SA

It is clear that there is a role for South African business to play in promoting human rights, labour standards, anti-corruption and environmental protection in both South Africa and Africa. The surveys cited in this article indicate that while South African companies are by and large leaders in Africa, much work needs to be done to live up to international best practice.

Public commitment to the Global Compact's principles will contribute to the global positioning of South African companies as good corporate citizens subscribing to a common set of standards, affording them a global license to operate. As the sustainability mantra goes: business cannot succeed in a society that fails. And by offering companies a framework for reference in uncertain business environments, the GC can help participants move away from the possible perception of South African business as the modern-day colonialists of Africa.

The values of ethics and trust that underpin the ten principles, as well as the initiative's multi-stakeholder model, often translate into opportunities for competitive advantage. The Global Compact serves as a useful space for critical dialogue, providing the opportunity for business to engage with stakeholders from other sectors. And importantly, taking a proactive stance on critical issues related to human rights, labour, environment and anti-corruption will help participants to manage risks and see opportunities before anyone else does – while at the same time helping to build a better society.

ADDENDUM C: PRESS RELEASE

Ban Ki-Moon: “Market leadership and sustainability leadership go hand in hand”

Last week United Nations (UN) Secretary-General Ban Ki-moon hosted nearly 1 000 business leaders, politicians and civil society representatives from around the world in Geneva in what has been called the largest-ever gathering on leadership and corporate citizenship. South Africa was represented by top executives from Sasol, Eskom, Deloitte, Nedbank, Gold Fields, the Mail & Guardian, Old Mutual, Harmony Capital, the Public Investment Corporation and the National Business Initiative (NBI).

Every three years, the UN Global Compact – a global corporate citizenship initiative conceived and launched by Kofi Annan in 2000 - convenes such a Leaders Summit to mobilise business leaders towards best practice in the areas of human rights, labour practices, environmental protection, and more recently anti-corruption. The underlying rationale is that in a globalised world responsible business practices not only contribute to the well-being of stakeholders, they have increasingly become a long-term value proposition for business itself. It makes business sense for companies to invest in creating a sound environment in which to do business, to minimize risks and to harness new business opportunities by supporting developing and emerging markets. Hence the theme of this year's discussion: “Facing realities; getting down to business”.

South African business leaders saw the discussions unfold through a unique perspective. Despite the reality of South Africa's “dual economy”, the country has a world-class formal private sector which operates under robust legislation, and boasts internationally acclaimed responsibility products such as the King Code on Corporate Governance II, and the JSE Socially Responsible Investment (SRI) Index. When it comes to good corporate citizenship, our top companies regularly feature favourably and often play a positive leadership role in strengthening local small and medium enterprises through extending these policies to their supply chains.

At the Summit, global non-profit AccountAbility launched their 2006 State of Responsible Competitiveness report. South Africa emerged in the 28th spot making it the top-performing emerging economy raking well above the likes of Brazil (56), China (66) and India (43). The index assesses countries' progress in promoting responsible business through key developments in areas such as climate change mitigation, labour standards, anti-corruption and equality. The report concludes that responsibility makes business easier.

This finding is supported by another report released at the summit by Goldman Sachs, which shows that companies that are considered leaders in implementing environmental, social and governance policies to create sustained competitive advantage have outperformed the general stock market by 25 per cent since August 2005.

The report further points to emerging international trends that resonate with the South African experience. Changing gross domestic product, population growth, urbanisation and resources constraints all feature on the local agenda. While a number of the other trends, like shareholder and consumer activism, do not currently act as prominent drivers for responsible business in SA, they will undoubtedly do so soon.

Rankings aside, SA and its private sector face serious challenges which may constrain meaningful growth. Poverty and unemployment, the skills shortage, HIV/Aids and the energy capacity challenges are drivers for South African companies to think more broadly and responsibly about their business practices as a matter of long-term survival and sustainability. As one of the world's most energy intensive economies, South Africa is also being put under international pressure over its contribution to climate change. Pressure is mounting for South Africa, and other emerging economies that are driving international energy demand, to accept carbon emission caps after the first commitment period of the Kyoto Protocol ends in 2012.

The Global Compact Summit this year did not ignore the need for action. By the end of the two days, several business leaders had adopted the 21-point *Geneva Declaration*, which spells out concrete actions for business, governments and UN Global Compact participants; a group of CEOs from some of the world's largest companies issued *The CEO Water Mandate* urging their peers to take immediate action to address the emerging global water crisis. Another 153 companies worldwide committed to speeding up action on climate change through the *Leadership Platform on "Caring for Climate"* and called on governments to agree as soon as possible on measures to secure workable and inclusive climate market mechanisms post 2012.

The summit also gave momentum to the *Principles for Responsible Investment* which provides a framework for institutional investors to achieve better long-term investment returns and more sustainable markets. Additionally, the *Principles for Responsible Management Education* were launched as the first global guiding framework for academic institutions to advance the broader cause of the corporate social responsibility initiative which aims to take the case for universal values and business into business schools worldwide.

Global Compact board member, Sir Mark Moody-Stuart, observed that progress was being made. "At the first summit three years ago, many companies subscribed to the Global Compact principles because it sounded like the right thing to do, but did not really know how to put them into practice. We are now moving forward towards implementation", he said.

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While not a new initiative in South Africa, it has not enjoyed a strong up-take since 2000. The NBI, which has recently been appointed as the driver of the Global Compact in South Africa, believes that the low number of participants does the country a disservice as it misrepresents the kind of commitment its

private sector shows to responsible business. With the support of active local participants such as Sasol, Deloitte, Gold Fields, Nedbank and Eskom it is set to change this and enhance companies' commitment to human rights, labour relations, environmental protection and anti-corruption.

ADDENDUM D: MIND SHIFT ARTICLE

United Nations (UN) Secretary-General Ban Ki-moon recently hosted nearly 1 000 business leaders, politicians and civil society representatives from around the world in Geneva at what has been called the largest-ever gathering on leadership and corporate citizenship. The simple fact that such a number of business leaders gathered to talk to the UN, is significant.

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The Global Compact and the Leaders Summit specifically, offer the only real opportunity for strategic dialogue between the private sector and the UN system. The UN frequently speaks about development, but has of yet not sufficiently developed the necessary competency or skill to effectively deal with the related issues. The Global Compact creates a space for the private sector to engage with global governance on aspects that cannot be addressed on nationally – international challenges like climate change for example require collective action on a world-wide scale. On a similar note, it also became evident for multi-nationals in particular that there is a need for global rules of engagement for business. While this element is key, companies that operate nationally may also derive benefit from considering such international norms as they may relate to local contexts.

South African business leaders saw the discussions unfold through a unique perspective. Despite the reality of South Africa's "dual economy", the country has a world-class formal private sector which operates under robust legislation, and boasts internationally acclaimed responsibility products such as the King Code on Corporate Governance II, and the JSE Socially Responsible Investment (SRI) Index. When it comes to good corporate citizenship, our top companies regularly feature favourably and often play a positive role in strengthening local small and medium enterprises through extending these policies to their supply chains.

There was a strong sense at the Summit of the leading role that South Africa and other emerging economies can, and increasingly are, playing in mobilising good corporate citizenship in the developing world, if not globally. Not only was South Africa well represented, our private sector had a presence on the agenda through Pat Davies and Jacob Maroga's presentations. The constructive influence of the country was also specifically referred to in plenary. The participation of leaders from the developing world also gave an indication of the growing appreciation for the Global Compact beyond Europe where its core participation has always been. This trend has the ability to turn the initiative into a truly global one as it was intended.

In support of this notion, global non-profit AccountAbility launched their 2006 State of Responsible Competitiveness report in which South Africa emerged in the 28th spot making it the top-performing emerging economy raking well above the likes of Brazil (56), China (66) and India (43). The index assesses countries' progress in promoting responsible business through key developments in areas such as climate change mitigation, labour standards, anti-corruption and equality. The report concludes that responsibility makes business easier.

This assertion does, however, not make the challenges that our country and our private sector face any less real. Poverty and unemployment, the skills shortage, HIV/Aids and energy supply challenges have the very real ability to constrain meaningful growth, and act as drivers for South African companies to think more broadly and responsibly about their business practices as a matter of long-term survival. As one of the world's most energy intensive economies, South Africa is also being put under international pressure over its contribution to climate change. Pressure is mounting for South Africa, and other emerging economies that are driving international energy demand, to accept carbon emission caps after the first commitment period of the Kyoto Protocol ends in 2012.

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Behind the flurry of activity, all eyes were on Ban Ki-moon to gauge his level of commitment to Kofi Annan's brain child and by association, engagement with the private sector. Ban Ki-moon spoke very convincingly at the Summit leaving business leaders completely assured of his on-going commitment to the Global Compact the private sector. This assurance bodes well for a renewal in commitment to the initiative.

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