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Corporate Social Responsibility of German Companies in South Africa

Analyses of the 3rd CSR Questionnaire conducted in July 2008 by the Southern African German Chamber of Commerce and Industry



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Introduction

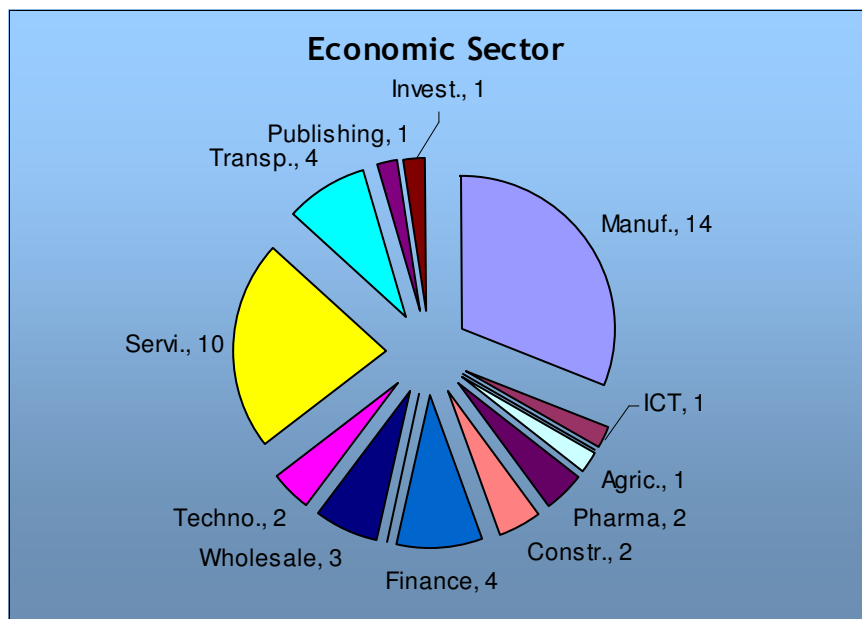
The Southern African German Chamber of Commerce and Industry conducted a survey on the topic CSR programs implemented by German companies in South Africa. The questionnaire was sent to all of our members in July 2008. A total of 37 members sent back the completed questionnaire. Even though this number is not as high as we had hoped, we are able to attain important information for our analyses. We are especially proud that almost all of the major German multi national companies participated, and thus we have a wide range of company sizes.

The questionnaire was split up into four different chapters. The first and second chapter addresses the present state of the CSR programs and what they are. The third chapter deals with the way the CSR is carried out and finally the last chapter asks what the specific experience with CSR has been so far.

Part I Present CSR Policies

The 37 companies that took part in the survey employ more than 14.000 people in South Africa and spend about 620 Mio Rand annually on CSR programs and projects. It is estimated that both of these figures are actually much higher, but not all firms gave all of the requested information.

As it was to be expected, most of the firms (14) operate in the manufacturing sector. The second strongest economic sector is service (10). The only two sectors not represented in the analyses are the mining and the institution sectors.





The most important question asked in the questionnaire was if their company has a CSR program at the moment. 16 companies have a CSR program and 21 do not. This figure is not surprising because of the large number of very small companies the chamber has as members. 11 companies stated that the reason they do not have a CSR program is because they are too small to sustain an independent program. 7 members want the chamber to assist them in either creating a CSR program or to help them make their existing projects more effective. This makes up for almost 20% of the completed forms. The question of what the current CSR program is was often answered so elaborately that it would go beyond the scope of this analysis. The following are just a few examples of what was written.

The company's social responsibility strategy is an outward demonstration that (...) is in support of the Government and its initiative to uplift the previously disadvantaged communities.

Our CSI strategy embarks on programs to benefit both the communities it serves as well as the company's staff. At the focal point is the improvement of the quality of life and the creation of a social environment to benefit the community in which the company conducts its business.

In essence the budgeted provision should be 3% of the salary bill for the company, which is split based on a one-third portion, to ensure the employees, their dependants and the community benefit.

(...) recognizes its responsibility as a corporate citizen towards its stakeholders and the communities within which it operates. Accordingly it is the policy of the company to undertake CSI initiatives that:

2.1 will promote and help the Company achieve it's business objectives

2.2 involve our employee's in community upliftment

2.3 contribute to social and economic development; and

2.4 are sustainable and build our reputation as a responsible corporate citizen

CSI initiatives will be targeted primarily at previously disadvantaged groups, local communities and/or individuals and must have a strong development approach and contribute towards transformation

It is not striking that the biggest companies also have the most advanced CSR programs running. But also smaller participants of the survey have a well established CSR strategy. We will go further into the details later on.

Another very interesting question was what the companies expect from a CSR program. The most popular answer was of course to support and help the underprivileged in the community in with the company is active. A different important aspect was to show stakeholder and others that their firm is a good Corporate Citizen. Again I would like to present two typical answers.



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To support activities which contribute value to the broader society in which we do business. We also strive to bring this value creation to our employees encouraging involvement

In a nutshell, to demonstrate to our key stakeholders (as well as the general public) that Siemens is an excellent corporate citizen

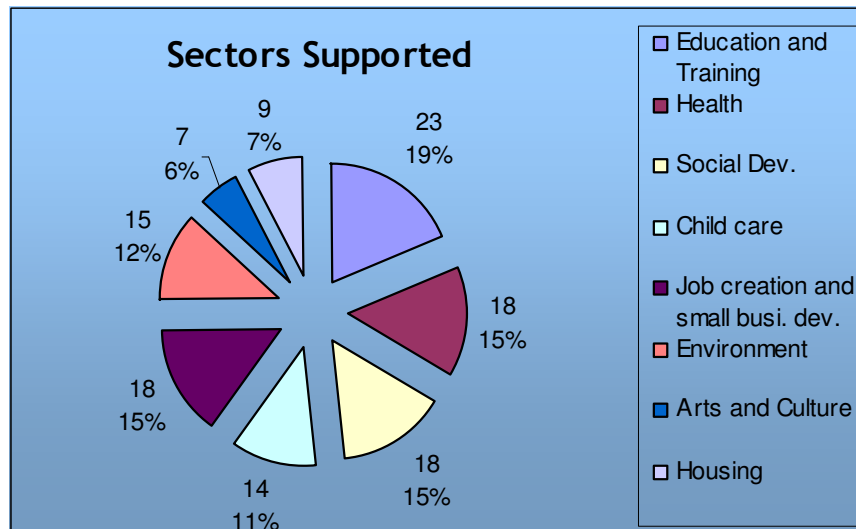
The fourth question of the first part of the questionnaire was "Are you familiar with the CSI requirements of BBBEE and is the charter applicable to your industry". The majority (20) answered with "yes". Only 4 said that they do not know of the charter or that it is not applicable. 13 of the people that voted "yes" say that they also already comply with them. Apparently the CSI requirements of the BBBEE have a considerable impact on German businesses in South Africa. 15 out of 23 who answered this question said that the charter has an impact on how they run their business. "More formalized approach to CSI" was said to be the result of this charter 10 times. It then closely followed by "Greater management Involvement" (9), "Increased communication of CSI" (9) and finally "New CSI strategy" (8). The other impacts also play a role but these were the top 4.

Part II Supported Sectors

We would now like to take a closer look at the II. part of the questionnaire which shows what specific sectors receive support from CSR programs. Education and Training (23) is still the sector in which the companies invest the most time, money and effort. Within this sector School Education (15) plays the biggest role. This comes to no surprise when considering that SA is suffering under a severe skill shortage.

Health (18) is also a very big topic in SA especially with the high AIDS and HIV rates. The "Education and awareness" (14) is clearly at the top of the supported areas in the health sector.

The other important sectors are "Social Development"(18) and "Job creation and small Business Development" (18). As you can see all areas are supported by CSR programs with "Arts and Culture" (7) receiving the least support.



Part III Strategies to carry out CSR

The III. part of the survey enables us to get an in depth view of how the CSR programs are chosen and carried out. When choosing a program most companies choose these because they are closely aligned to their core business (14) or because of they are geographically close to the area of operation (13). Private public partnerships (4) and “closely aligned to economic sector” (5) only play a minor role.

The corporate social responsibility programs are carried out primarily by the company itself (18) and through donations. Again PPPs play only a secondary role.

The next question asked how their company is involved in the community Donations and sponsorships (20) are apparently the favorite way to get active. The other two methods “Community partnerships” (10) and Employees volunteering” (10) are also being used but not to the same extent.

One of the first surprising results of our analyses is that only 9 of the 16 companies that have a CSR program actually measure the impact of their CSR programs. That is roughly 60% and this means that 40% do not know what impact their CSR programs have and thus these companies are probably not working effectively with the resources they have for CSR. When later asked why they do not measure it, they often said that they do not know how to do this.

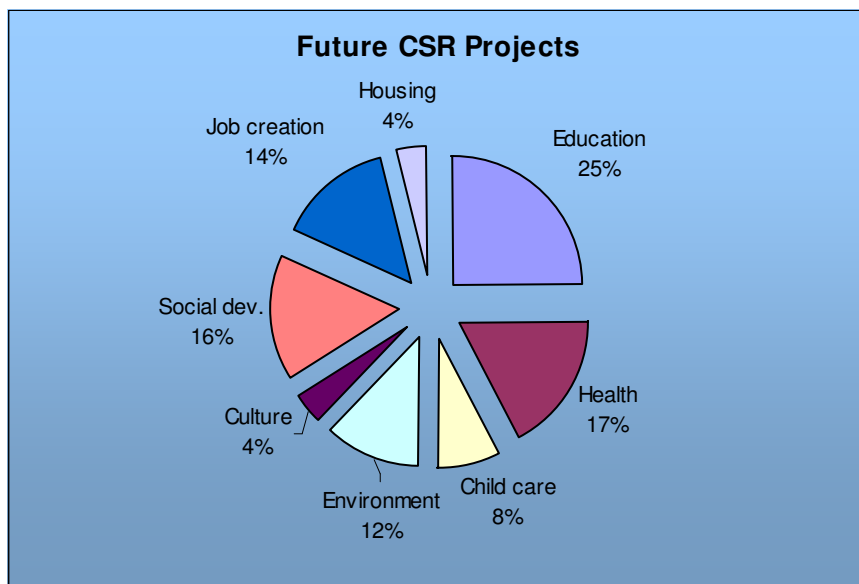
We do find it challenging to measure the impact of our CSR initiatives

Difficult to measure direct benefits to both recipients, other CSR beneficiaries and to our company

On the other side, 14 companies report on their programs, usually by giving the subject its own section in the annual report (7) or through web information (6).

Part IV Experience with CSR

The last section of our questionnaire dealt with what experience the companies have gathered with their programs. One of the most important questions of this survey was what benefit the programs have on the company. 18 companies say their CSR program helps by contributing to the BEE transformation agenda. Supporting the corporate mission statements and values (17), enhancing the reputation (16) and a closer relationship with the community (15) are also very important. Finally we asked what further CSR programs are planned for the future. The result is as expected with “Education and training” (19) being at the top of the list again. “Health” (13) and “Social development” (12) are also very important again.



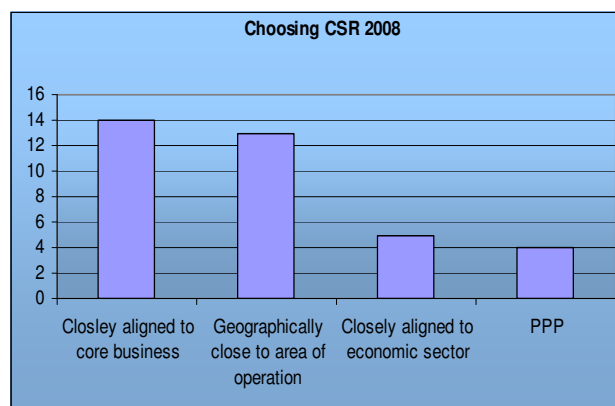
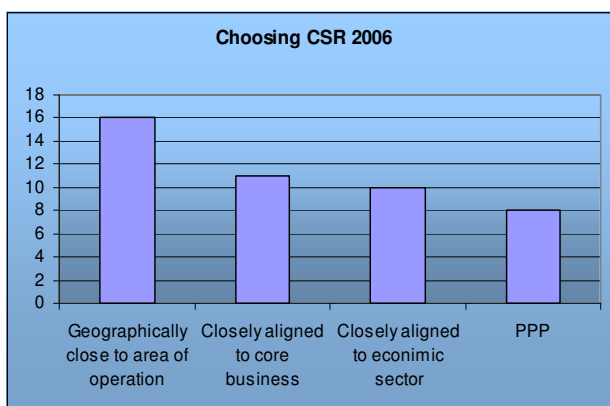
Development since 2006

The German Chamber conducted a CSR survey in 2006. We would now like to shortly compare the key figures from 2006 with the results of our latest survey. First of all the number of companies that participated has stayed about the same, 36. But the number of companies that currently have a CSR program increased from 13 to 16.

Most of the other important figures did not change much. The sectors in which the companies invest their CSR budget are still education, social development and health.

The same can be said about the benefits from CSR programs. The contribution CSR program can make towards BBBEE is still considered the most important aspect.

The first real change that has occurred in the last two years is in how German Companies choose their programs and projects. In 2006 the most important factor was that the CSR program had to be "close to the area of operation" (16). "Closely aligned to core business" only came into second place (11). In our recent survey though, both were nearly the same in importance with "close to area of operation"(13) and "Closely aligned to core business"(14). So this could be indicating a trend when choosing a CSR program.



Not much has changed when answering the question of who carries out the programs. "The company itself" is the most common answer in both questionnaires and by donations the second most common. The importance of PPP has interestingly declined even further to only (5) in 2008 from (9) in 2006.

Conclusion

The results of this survey show that the main reasons for implementing CSR are good reputation of company and products, increased motivation and productivity of workers, understanding the society in which the company works as well as contribution to sustainable development. These benefits of a successful CSR-policy have been recognized by many German multi-national companies. Because of the demands of the



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modern consumer for products of companies, manufactured or supplied according to the Human Rights principles, the companies have increased their efforts to develop CSR.

Significant is that the implementation of CSR by medium- and small-sized companies is not as far developed. During this survey these companies have shown the will to create their own CSR-projects or participate in existing ones. The problem is though that important guidelines and support for this is missing or insufficient. Particularly the small firms need more options of how to get active in the field of CSR.

A further problem that affects all companies is the difficulty that arises when trying to measure the positive impact a CSR-program has on the community and company. This issue has also to be solved in the future to further strengthen the CSR development in South Africa.

It is interesting to notice that the companies have a very wide spectrum of CSR-programs ranging from Sports to Housing development. Up until now the focus of the companies has not been bundled into specific areas which relate to a CSR-standard.

The development of CSR in South Africa by German companies is still at its beginnings. But indicators show that this topic will gain more importance in the near future and the foundation has been laid.