

## Corporate Social Responsibility (CSR) and Black Economic Empowerment (BEE) in South Africa

A case study of German Transnational Corporations

*Tatjana Chahoud*

*Maren Keller*

*Kristof Krahl*

*Jakob Rieken*

*Vera Riffler*

*Jana-Lisa Wendering*

# Contents

## Abbreviations

<b>Summary</b>	<b>1</b>
<b>1 Introduction</b>	<b>23</b>
1.1 Objective and scope of the report	23
1.2 Research methodology, data collection / analysis and methodological limits	24
1.3 Design of the report	25
<b>2 Socio-economic background in South Africa</b>	<b>26</b>
2.1 Historical and political development background: From apartheid to post-apartheid in the RSA	26
2.2 Socio-economic structures of today's South Africa	28
<b>3 Overcoming economic apartheid: Approaches to Affirmative Action, compulsory regulation and voluntary commitment</b>	<b>30</b>
3.1 Affirmative Action	31
3.1.1 Formal and substantive equality	31
3.1.2 Historical, constitutional and legislative foundations	32
3.2 Taking Affirmative Action in the private sector: The interplay of legal compulsion and voluntary commitment	34
3.2.1 Embedded „Affirmative Actors“, TNCs and the place of CSR/BBBEE	35
3.2.2 The Affirmative Action regulatory basket	35
3.2.2.1 A special South African case: CSR, BBBEE and 'soft law'	36
3.2.3 Incentivising corporate engagement and inducing compliance in South Africa	40

<b>4</b>	<b>The regulatory framework, verification and challenges</b>	<b>41</b>
4.1	The structure of the regulatory framework	42
4.1.1	The constitution	43
4.1.2	Codes of Good Practice and scorecards	44
4.1.2.1	Scope	48
4.1.3	Transformation charters and sector codes	49
4.2	Verification and certification	49
4.3	Challenges posed by the BBBEE concept	51
4.3.1	Goals and implications of the BBBEE elements	51
4.3.2	Compatibility with other legal instruments	52
4.3.3	Multinational companies in the context of the ownership element	54
<b>5</b>	<b>BBBEE and CSR: Opportunities and challenges for stakeholders</b>	<b>56</b>
5.1	Stakeholder mapping: Who is involved in the process and how?	56
5.2	Implementation of BBBEE – How stakeholders perceive companies' and institutions' responsibilities	57
5.2.1	Broad-based and sustainable implementation of BEE	58
5.2.2	Addressing loopholes and obstacles to BBBEE implementation	62
5.2.3	Realising the business case of BBBEE and communicating 'win-win' scenarios	64
5.3	The transformation imperative of BBBEE	65
<b>6</b>	<b>CSR and BBBEE – Perception of and contribution by German TNCs operating in South Africa</b>	<b>66</b>
6.1	Company sample	66
6.2	CSR/BBBEE agenda of German TNCs in South Africa	67
6.3	BBBEE scorecards, activities and concerns	68

6.3.1	Contribution levels of companies	70
6.3.2	Perception of the scorecard weighting scheme	70
6.4	Certification process	71
6.5	Impact of BBBEE on companies	72
6.5.1	Employment structure	73
6.5.2	Benefit-cost ratio	73
6.5.3	Procurement competitiveness	74
6.6	Drivers of BBBEE	74
6.7	Shortcomings of BBBEE	75
6.8	Role of other actors	76
6.8.1	Public policy actors	76
6.8.2	Business associations	77
6.8.3	Civil society organisations and trade unions	78
6.8.4	Development cooperation	78
<b>7</b>	<b>Concluding remarks and future prospects</b>	<b>79</b>
	<b>Bibliography</b>	<b>83</b>

## **Appendixes**

Appendix 1:	The Constitution of the Republic of South Africa, Act 108 of 1996, Section 9	97
Appendix 2:	Codes of Good Practice	98
Appendix 3:	List of stakeholder interviews	99