

What is the link between Business Legal Compliance and Corporate Social Responsibility?



The value and reputation of any business are determined by public and stakeholders' opinion.

A business can manage its reputation by monitoring, influencing, and improving stakeholder opinions of their brand, products and services.

Business owners should consider Corporate Social Responsibility (CSR) as an important aspect of business compliance to achieve long-term sustainability within the business.

Compliance should not only be viewed from a legislative point of view, but also, and even more importantly, from an ethical conscience perspective.

In a previous blog we looked at the [*business owner legal compliance checklist*](#), in this article we will look at a few of the benefits that CSR could have for businesses if implemented successfully.

What is Corporate Social Responsibility (CSR) and how does it benefit businesses?

In layman's terms, CSR is the obligation of businesses to consider the impact of their operations on their employees, customers, and the community within which they operate, including the environment and economy. *CSR is more than just good intentions and ticking boxes.*

The corporate strategies are about embedding actionable plans to implement these principles within the business environment with a view to real and tangible results.

CSR strategies can take many forms, such as humanitarian projects and empowering individuals, environmental projects, and loyalty of customers, suppliers and employees.

What factors can be considered as business branding and reputation benefits?

Factors to consider which may have far-reaching benefits for business branding and reputation:

- Improving engagement and interaction with customers and suppliers; receiving honest feedback goes a long way towards build trust and loyalty;
- Investing in local community projects and raising awareness for development of the community;
- Investing in local environmental projects and development;
- Investing in waste management strategies such as paperless activities, recycling, energy efficiency and water conservation;
- Involving employees in CSR strategies and projects to promote a positive work environment; empowering employees and displaying commitment from the business. This will improve employee morale and foster employee retention.

The main advantage will be word of mouth, which remains one of the most valuable and effective ways to embed a business's reputation and a powerful marketing tool.

How does CSR link with Business Legal Compliance in general?

Business legal compliance seems to be never-ending and can be overwhelming. Part of operating a successful business is the responsibility to ensure that the business complies with the relevant South African legislation.

Although CSR is not compulsory, the Companies Act 71 of 2008, as amended, prescribes that all state-owned companies, listed companies and private companies with a Public Interest Score above 500 in any two of the preceding five (5) years, must constitute a Social and Ethics Committee in accordance with Regulation 43 of the Companies Regulations 2011.

What is a Social and Ethics Committee?

The Social and Ethics Committee is a key committee monitoring the business's activities, having regard for any relevant legislation, other legal requirements or prevailing codes of best practice, in matters relating to–

- social and economic development;
- good corporate citizenship;
- the environment, health, and public safety;
- consumer relationships; and
- labour and employment.

What are the relevant legislation and leading practice standards for Business Legal Compliance?

Some of the relevant legislation and leading practice standards for compliance in terms of the above are as follows:

- United Nations Global Compact Principles (Basic Conditions of Employment Act 75 of 1997;
- *Labour Relations* Act 66 of 1995;
- *Skills Development* Act 97 of 1998;
- Employment Equity Act 55 of 1998;
- *Broad-Based Black Economic Empowerment* Act 53 of 2003 as amended;
- Basic Conditions of Employment Act 75 of 1997;
- *Occupational Health and Safety* Act 85 of 1993; and
- *Consumer Protection* Act 68 of 2008.

Many businesses in South Africa comply with the relevant legislation mentioned above, which makes the link to CSR considerably less daunting. A blue-chip reputation could be seen as the *quid pro quo* for business compliance.

Conclusion

Business owners should not focus only on making profits but also consider the impact on the broader economy. It goes without saying that customer satisfaction, employee retention and the community are imperative to any successful business.

As SA's leader in Legal Compliance and Transformation Solutions, our professional team at *SERR Synergy assists business owners to make sense of South Africa's stringent laws by ensuring that business policies and practices are aligned accordingly.* Please *contact any of our nationwide offices* for more information about the relevant legislation for your business legal compliance.

About the Author: Sanet van Zyl joined SERR Synergy in June 2014. She is the Business Unit Manager: Corporate Legal Advisory and Information Compliance.

Sources:

<https://serr.co.za/business-owner-legal-compliance-checklist>

<https://www.forbes.com/sites/forbesbusinesscouncil/2020/11/18/the-growing-importance-of-social-responsibility-in-business/amp/>

https://www.pwc.com/gx/en/issues/esg.html?WT.mc_id=CT3-PL300-DM1-TR2-LS4-ND30-TTA9-CN_the-new-equation-esg&gclid=CjwKCAjw5P2aBhAlEiwAAAdY7dObz0O0t1y6mcbzG9QDjgPXHRLDo9s58VdRcTt4CKQ

©SERR Synergy, www.serr.co.za

