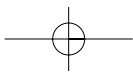
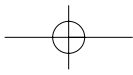


Bench Marks Foundation of Southern Africa



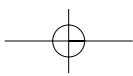
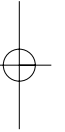
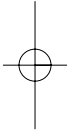
Annual Report 2006





Bench Marks Foundation of Southern Africa

Annual Report 2006



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South African Partners

The South African Council of Churches
 Ecumenical Service for Socio-Economic
 Transformation
 CDT Foundation
 Industrial Mission of South Africa
 Justice and Peace Department of the
 South African Catholic Bishops Conference

International Partners

Christian Centre for Socially Responsible
 Investment (Australia)
 Hong Kong Christian Industrial Committee
 KAIROS: Canadian Ecumenical Justice
 Initiatives
 Interfaith Centre for Corporate Responsibility
 (USA)
 Friends of the Earth (Colombia)
 Ecumenical Council for Corporate
 Responsibility (UK)

Board of Directors

The Right Rev Dr Jo Seoka
 Allan Wentzel
 Eddie Makue
 Piet Beukes
 Chana Majake
 Mokhethi Moshoeshoe
 Billy Maseti
 Desmond Lesejane
 Vincent Brennan

Contact details

BeFSA-CSR Secretariat
 PO Box 62538, Marshalltown,
 2107, South Africa
www.bench-marks.org
 Tel/Fax: 011 832-1750
 Tel: 011 832-1742/3
 For more information about the
 Bench Marks Foundation of
 Southern Africa, please contact
 us on +27 11 832-1750/43 or
 e-mail [admin-
 benchmarks@mail.ngo.za](mailto:admin-benchmarks@mail.ngo.za)

Foreword



Once again I have the pleasure in releasing the annual report of the Bench Marks Foundation of Southern Africa for Corporate Social Responsibility. Since our inception in 2001 and setting up office in 2003, the organisation is showing progress in a number of areas that fulfill our mandate to be the leading ethical investment and resource group linking people and institutions committed to our ideals.

In its short lifespan the Foundation has:

- Got the support of the mainline churches and support for a more ethical investment approach.
- Been successful in building a number of local and interregional forums focusing on corporations in south and southern Africa.
- Local forums in South Africa include Kwa Zulu Natal, Cape Town and Johannesburg.
- Set up interregional forums that include the Africa Roundtable on Investment and the Mining Network.
- Begun developing various data basis on multinational companies on the continent of Africa, along with social change organisation and has done research on mining, financial institutions and retails companies.

We continue to grow both internally as an organisation by aligning our skills needs with our objectives and externally building networks based on research and advocacy. We also remain committed to bringing an ethical voice to bear on matters as they relate to corporate conduct and investment patterns. In particular with investment we hope to achieve evenly developed economies both at home and with our neighboring SADC countries by influencing investment codes that lead to sustainable development.

When I think of our work beyond our borders, I am reminded of the words of Jesus Christ when asked what the greatest commandment of all was, and the answer being love thy neighbour as thy self.

Lastly thank you to John Capel the director, to Brown Motsau the office manager and to our outgoing deputy director the Rev Abinaar Ramadie for their execution of our mandate and for turning words into action.

Yours truly,
The Rt. Rev. Dr. Jo Seoka
Chairperson of the Bench Marks Foundation and
Anglican Bishop of Pretoria

Director's Report



Once again we have pleasure in releasing our Annual Report. From our humble beginnings four years ago to where we are today, we can say that we are a truly growing organisation. The demands on us increase daily as we delve more and more into the world of Corporate Social Responsibility (CSR).

The Bench Marks Foundation continues to situate itself as an alternative organisation with a voice that challenges the whole of society and especially the business community on what constitutes meaningful social responsibility. But we have a long way to go before we will become the most important organisation consulted widely in the field of CSR.

Our vision is to become the singular most important organisation dealing in the field of CSR through programmes directed at churches on ethical investment while providing groundbreaking research. Our long-term aim is to have a board representative of big business, labour and government.

In the past year we have done research on platinum mining in the North West province, carried out research on mapping South African multinational companies on the continent of Africa, developed a database of social change organisation in Southern Africa and studied the investment codes of the African Union (AU), the Southern African Development Community (SADC) and the New Partnership for African Development (NEPAD) with a longer-term objective of becoming an organisational stakeholder in these formations. To this we are building a solid network of organisations from across the region, and have established partners in a number of other African countries.

We are still building our foundation that will serve our purpose of linking people and institutions committed to our ideals. Partnerships that we form cover South Africa and neighbouring countries. The two main networks we are developing are the Africa Roundtable on Investments and the Peace, Principles and Participation network on extractive industries.

Our research focus remains on policy implementation and ensuring that social responsibility becomes core to business practices.

The context in which the Bench Marks Foundation operates

As South Africa's democracy comes of age, there is a need to assess the role that each sector in society should play in the reconstruction process. Business has come up time and time again as a key player, potentially, in poverty eradication, reduction in inequality and uplifting the poor. However, from the history of business in South Africa, it is clear that the socio-economic environment within which it operates is not a priority to business. The verdict of the Truth and Reconciliation Commission on business during apartheid demonstrates that instead of working for socio-economic change, business was on the side of the oppressor simply because they benefited from the exploitation that went with apartheid oppression. The conduct of business, both in South Africa and elsewhere on the continent, also shows that this sector has not been responsive to the socio-economic development needs of this country. Instead they have helped to aggravate inequality, and shown a disregard for human rights. The environment has suffered greatly at the hands of business. The corporate world has paid very little attention to the development needs of the developing world. In many instances the laws of the country are not adequate to engender a culture of accountability among corporations. Where the legislative and regulatory framework does exist, they are often not accompanied by the requisite capacity to monitor and prosecute.

The lure of foreign investment and the need for job creation, especially at provincial and local government levels, often force the lowering of standards for corporate accountability. This has led to the abuse of power by business, thereby undermining the development agenda at these levels of government. As a consequence people are subjected to unfair labour practices, pollution and environmental degradation and universally acceptable health standards are compromised.

With regard to South African companies that are expanding their business operations into other parts of the African continent, there is evidence of double standards. While operating in South Africa, these companies comply to a certain extent with the requirements of both the international instruments and regulations aimed at bringing about corporate responsibility and accountability. However, their behaviour in the rest of the continent is characterised by disrespect for human rights and rules of accountability. It is clear that if unmonitored the impact of expansion of South African businesses will have devastating environmental, human rights, and economic and political consequences. While they have helped to bring more goods and services to other countries, the manner in which this is being done is detrimental to the local economies of the host countries. It is in this context that the Bench Marks Foundation expedites its mandate and works towards changing the way business conducts itself.

The Bench Marks Foundation's Journey

In the four years of its existence the Bench Marks Foundation has been going

through an interesting learning process. While the initial years of the life of the organisation were spent on establishing itself, the past year was spent on finding a concrete focus in the vast area of corporate responsibility. This process has been an ongoing one and will continue to be so. Up to this point we have essentially identified three areas around which our work is focusing:

- Monitoring business performance and compliance through research
- Promoting ethical investments in church and society
- Dialogue and public engagement on matters of corporate responsibility through publications, voice power, seminars and conferences

The Bench Marks Foundation has continued to consult with its critical stakeholders to help sharpen the focus of its work. For this reason the refocusing involved several processes, which include the strategic re-visioning of the work of the Bench Marks Foundation by the Board of Directors; feedback from churches and religious organisations; partner organisations and primarily communities which are badly affected by corporate misconduct. The networks we have established have always been invaluable in strengthening the work we do.

One of the realities of our short lifespan is that the Bench Marks Foundation has been thin on advocacy, which is one of its key mandates. The reason for this is that there is a lot of work that needed to be done in preparing an intensive advocacy programme. This includes gathering credible information (research), mobilising patrons to strengthen our advocacy programme and getting the support of communities who are affected by business operations. The past year has seen an increase in these areas, where the studies we have conducted have produced valuable information, which enables us to embark on our advocacy programme.

Our engagement with communities has also highlighted the need for the Bench Marks Foundation to capacitate them in their plight and struggle for a just system of production and distribution, environmental health, local economic development and respect for human rights. Support for these community campaigns has started on a limited scale and it will gain momentum from the next year onwards. This is in line with our task of promoting an ethical and critical voice on what constitutes meaningful, sustainable and socially responsible business practices.

As the Bench Marks Foundation, we also believe that it is critical that we participate in and influence the public discourse on what constitutes corporate social responsibility. This we do by availing ourselves to do presentations and papers at critical conferences and seminars, producing position papers, evaluating government policies such as Black Economic Empowerment (BEE) and Employment Equity (EE), etc. The predominance of the voices of business, corporate social investment (CSI) specialists and consultants has been a worrying factor, which is why we are bringing in the values of the Bench Marks

for Measuring Business Performance (Bench Marks) document and voices of affected communities to counteract the self praise of corporations in this discourse. Our articulation of corporate responsibility through radio and television shows, newspaper articles, publications and conferences has helped to distinguish our work from that of organisations for which CSR is all about philanthropy. We are making significant inroads in the public articulation of just corporate conduct.

The studies we have conducted reveal some serious inadequacies in terms of the regulatory environment for business. It is evident that international conventions and instruments governing corporate behaviour, national legislation and municipal by-laws are porous, thereby allowing the abuse of power by corporations. In this respect it has become important to use the Bench Marks as a primary tool for evaluating business. We are in a process of identifying areas in this document that need revision to ensure that it addresses the concerns of Africa and South Africa specifically. Issues such as HIV/AIDS, land, EE and BEE, skills transfer and local economic development and job creation are either absent or inadequately covered by the Bench Marks document, and the revision of this document will attempt to mainstream them therein. An area of concern is that most CSR programmes do not look at local supply chain development but only at labour practices, and this shortcoming will also be addressed. Skills transfer and empowerment of local enterprises in Africa need to be addressed.

We continue to work with churches and religious organisations as our primary partners for the campaign on ethical investments. This we do through the provincial forums that we have set up in partnership with other ecumenical structures in various parts of the country. The Diakonia Council of Churches in Durban, the Western Cape Provincial Council of Churches in Cape Town, the Gauteng Council of Churches in Johannesburg and the Beyers Naudé Centre for Public Theology at the University of Stellenbosch all remain the pillars of our strength and presence in these regions. Through the provincial forums we also seek to empower churches and community organisations to track corporate abuse.

The Africa Roundtable is a forum of organisations that are working on various aspects of trade and corporate responsibility in the SADC region. The interface that each of them has with business has been useful in evaluating the socio-economic impact of South Africa's business expansion into other parts of Africa. The most recent meeting of the Africa Roundtable was held in February 2007. This forum is in the process of laying the foundation for the development of the Renaissance Code of Investment in Africa. The size of this forum is increasing and it is encompassing more organisations and more countries, including Mozambique, Angola and the Democratic Republic of Congo, which had not been part of it before.

Acknowledgements

We acknowledge all our partners that make our work possible. Thanks to

Christian Aid and the Netherlands institute for Southern Africa (NiZA) for helping to capacitate us and backing us all the way; to EED for their generous and solid support, to AMA/CMC for their initial injection and support, to Bread for All in Switzerland for supporting the Africa Roundtable and to the Foundation for Human Rights in making our research possible. To Diakonia Sweden for their continued support.

Our thanks go to our local and African partners of which there are too many to name. Thank you for supporting our mining studies and working together with us in Rustenburg and for supporting the PPP network and giving us a chance to lead the network in a mining study covering SADC countries. Further thanks goes to our African brothers and sisters in the DRC, Angola, Mozambique, Malawi, Swaziland, Tanzania, Botswana, Zambia and Namibia that constitute the African Roundtable. And lastly acknowledgement is given to our partners in South Africa: Diakonia in KwaZulu Natal, the Western Cape Council of Churches and the Gauteng Council of Churches, the Greater Rustenburg Community Foundation, groundWork, the South Durban Environmental Community Alliance and the National Children's Rights Committee.

Conclusion

The next few years will witness the impact and outcomes of our work. We start this year to release our research findings and move towards advocacy, whilst developing the building blocks to achieve our mission and vision. What follows is a more detailed overview of our work, the challenges and just how we are baring up.

John Capel
Executive Director

Staff members 2006



Rev Abinaar Ramadie



John Capel



Brown Motsau

Introduction

The Bench Marks Foundation of Southern Africa is a Section 21 not-for-profit organisation. It was constituted in 2001 by five Christian organisations: The South African Council of Churches (SACC); the Ecumenical Service for Socio-Economic Transformation (ESSET); CDT Foundation; Industrial Ministry of South Africa (IMSA) and the Southern African Catholic Bishops Conference (SACBC). The organisation is open to all faiths and intends to be representative of South African society to include business, labour and other faith communities. It serves as an agency of South African churches in pursuit of economic justice broadly and morality in the corporate world.

Mission

The Bench Marks Foundation is committed to providing leadership and advocacy on issues regarding the benchmarking of good corporate governance, ethical and socially responsible investment as well as linking people and institutions committed to these ideals.

Vision

The Bench Marks Foundation works towards the creation of a society wherein business activities and the pursuit of profit by corporations shall uphold human rights and the dignity of all people, especially the poor and vulnerable and environmental integrity. The Bench Marks Foundation also promotes the principles of good stewardship and accountability.

The Bench Marks Foundation has three key areas of work:

- A focus on corporations
- A focus on churches and ethical investment
- Publicity on what constitutes meaningful corporate social responsibility (voice power).

Corporations and Corporate Social Responsibility



During 2006 the strategic focus of the Bench Marks Foundation was that of conducting research and playing a watchdog role in relation to business behaviour and investment patterns.

Our key projects in relation to corporations are:

- The Africa Roundtable on Investment
- Measuring the mining houses' social responsibility programmes in Rustenburg in the North West Province
- A three-year programme starting in 2007 which will look at mining activities in seven Southern African Development Community (SADC) countries
- Participating in the Competition Commission's enquiry into the financial sector and banking

Africa Roundtable on investment in Africa

The African Roundtable brings together nine SADC countries into a network established to track South African and other multinational corporations in Africa. It is made up of a network of social change organisations in the SADC region in the areas of economic justice, trade unions, faith based organisations, etc. advocating for the responsible citizenship of business on the continent.

The objectives of the African Roundtable are to monitor major multinational companies and to build a network of organisations committed to influence the investment policies and development trajectories on the continent. The long-term objective is to develop a code of conduct called the Renaissance Code and to promote this Code at the SADC, Nepad and AU levels to ensure that corporate expansion leads to evenly developed economies.

During 2006 we investigated where major multinational corporations, including many from Canada, United Kingdom, United States and South Africa, operate on the African continent. This has resulted in a database of over 500 multinational corporations in various sectors including: Financial Services, Food,

Tobacco and Agri-business, Fisheries, Industrial, Mining, Oil and Gas, Retail and Telecommunications. The database provides a starting point in the sourcing and monitoring of information on multinational corporate behaviour across Southern Africa and is supplemented by a large database of key social change organisations in SADC countries forming a basis for building networks and alliances with other civil society organisations in the region. A third component to this research was a preliminary study on the investment codes that drive corporate expansion through the AU, NEPAD and SADC.

We recently convened a meeting of the Africa Roundtable in February 2007 where a steering committee was elected and the following countries were represented: Zambia, Malawi, Swaziland, Mozambique, Angola, Tanzania, Botswana, South Africa, and Democratic Republic of Congo. About 25 organisations from these countries attended the meeting and elected a steering committee members comprising: Khangezle Dlamini of the Christian Council of Churches Swaziland, Gloria Chisala Hamela of MEJN of Malawi, Stephen Muyakwa of Civil Society Trade Network of Zambia, Desmond Desai of South Durban Community Environmental Alliance and John Capel of the Bench Marks Foundation.

The forthcoming year will see the development and strengthening of the Africa Roundtable on Investment. One South African corporation will be investigated that operates across the region – a company that is visible and in the public eye. This company will then be reported on during the SADC summit in Zambia in August 2007. Further plans involve the development of a website and knowledge management system that shares information on corporate conduct and research studies across the region. The mapping of multinational corporations across the region will continue during the next year.

Mining in SADC countries

The Bench Marks Foundation has a broad focus on mining in the SADC countries – from our work with international partners to our study on platinum mining in the North West province in Rustenburg which will be replicated in the next two years in three countries in the Southern African region.

The focus on mining in the SADC countries aims to develop a better understanding of codes and legislation governing mining across SADC countries and to build a regional network of concerned civil society organisations to influence policies and practices of mines in the Southern African region.

The strategic objectives of this project for 2007 will be to support the Peace, Principles and Participation (PPP) programme initiated by the Netherlands Institute for Southern Africa (NiZA). The PPP is an initiative that promotes community rights, involvement and responsibility in mining development in areas where such development occurs. The role of PPP in the project will be to facilitate networks in the different SADC countries for the execution of the research. The Bench Marks Foundation's role is to coordinate and steer an in-

depth study on mining codes, legislation and policies governing mining throughout SADC countries and to have a comparative framework across countries, starting with Malawi, Zambia and the Limpopo province in South Africa. The first stage of the study will be desk-based research measuring the impact of legislation on actual practices. The second stage will be to report on the research findings at a meeting in November where partners from across SADC counties will be brought together to review the research and plan for 2008.

Rustenburg Platinum Mining Study

During 2006 the Bench Marks Foundation conducted a research study of mining activities in Rustenburg in the North West province of South Africa. A desk-based study was followed by field research examining three mining houses: Anglo Platinum, Impala Platinum, and Lonmin mines. The research focus was the socially responsible practices of the mining houses as measured against the Bench Marks' international criteria, the Mining Charter in South Africa that sets out various socially responsible practices and the Department of Minerals and Energy's social license obligations.

The main focus of this ongoing research project in Rustenburg is to investigate how corporations invest in communities and whether these investments addressed amongst other criteria community integration and sustainability. Our focus is on measuring the gaps between policy and practice and arriving at recommendations. Recent research findings listed areas of contention where mining operations contributed to, for example: environmental pollution, the spread of HIV and AIDS, sex work and the casualisation of employment.

The focus of the research study around mining in Rustenburg during 2007 will be to release the findings of the study in June in a way that will provide most publicity, to form a group in Rustenburg that will monitor the corporations' CSR initiatives and to establish a forum of church leaders that will engage the mining houses on the outcomes of the research. For example, waste production and air quality issues can be turned into sustainable projects to address true sustainability of communities. Further plans include employing a full-time research manager to oversee all research work.

International Solidarity Work

The broad objective of our international solidarity work is to continue to engage and build solidarity with our international partners that are committed to the Bench Marks and to cooperate with various organisations around research on corporations and to share information.

One of the main areas of work for the next year will be finalising the study on BHP Billiton in conjunction with the Ecumenical Center for Corporate Responsibility (ECCR) which will involve completing our grassroots research on selected BHP corporations in Mpumalanga and supporting ECCR's engagement with the BHP Billiton's Head office in London.

Financial Sector Study

We have conducted elementary research on the financial sector and their corporate social responsibility programmes. We want to assess how banks impact on poverty alleviation and the empowerment of previously disadvantaged communities through programmes such as "banking the unbanked". We have targeted the Competition Commission hearings on banking fees as a platform and have made a decision to work with the Financial Campaign Coalition. We have also used our research findings to make an input to the African Peer Review Mechanism (APRM) during 2006.

The research on the banking sector is a work in progress and the broad objective of the finance sector study in the next year is to gain an understanding of the key issues in the financial sector with a specific focus on banking fees and service charges and to understand how the banks contribute to development and poverty eradication. A further objective is to examine lending criteria and the role banks play in driving investment.

Specific objectives for 2007 include showing practically how discriminatory fees are applied across the banking sector, making specific recommendations to the South African Competition Commission and isolating issues of concern that can be taken up with the banks or used for our ethical investment campaign and the Church Investors Group (see below).

Black Economic Empowerment (BEE) and Employment Equity (EE)

The broad objective of this programme is to explore how the Bench Marks Foundation can capitalise on existing transformation legislation and how we can monitor compliance in relation to the empowerment of workers and communities, development of enterprises and procurement and tenders.

The strategic objectives for 2007 include an examination of the weaknesses of present BEE policies, and from this to develop criteria dealing with fairness, real empowerment and development. The Bench Marks Foundation will also collect information on employment equity compliance and explore how we can influence transformation in this regard. Further areas of work will include submitting a position paper on BEE to the SACC Triennial Conference in July for adoption as a position paper for the churches and to incorporate these findings into the Bench Marks Framework for CSR

Church and Ethical Investment Programme



The broad objectives of this programme are to influence how churches invest their resources in promoting economic justice, to create a joint investment portfolio thereby giving clout to church investments, to encourage the church leadership to support the Bench Marks Framework for CSR and to empower churches at provincial level to engage with corporations, government and other key decision makers. A strategic objective of this programme is to promote our work at synods, assemblies and other meetings of churches and to align our work with the South African Council of Churches and to continue to engage church leaders on an individual basis.

During 2006 the Bench Marks Foundation was central in the launch of both a core group on ethical investment headed by Prof Danny Titus of Unisa and a separate project headed by CDT bringing together church fund managers called the Church Investors Group (CIG). We have worked with three forums in the Western Cape, Gauteng and Kwa-Zulu Natal dealing with corporate abuse, conducted a seminar around Black Economic Empowerment and have cooperated with academic institutions in discussions on corporate social responsibility. We are in the process of commissioning research to be undertaken on asset managers and their commitment to ethical investments, with the view of making recommendations to churches that wish to invest ethically.

The strategic objectives for the next year will include meeting individual church leaders to build relationships and confidence in our approach to ethical investments and conducting capacity building workshops for clergy at both local and regional levels thus creating a platform for debate and discussion on issues relating to Corporate Citizenship. The Bench Marks Foundation will participate in and influence public (and academic) discourse on the Ethics of Investments and identify and promote good ethical investment approaches by different churches. We will continue to build and support the groups already established such as the CIG and core group on ethical investments through our research on ethical investment criteria and the creation of a database of Fund and Asset Managers dealing with church resources. Further we will continue to establish relationships with theological and other institutions, which have the research capacity and interest in the work we do.

Voice Power



This programme promotes the public profile of the Bench Marks Foundation and an alternative voice on what constitutes good corporate conduct. Voice power is also a vehicle to promote the Bench Marks tool for measuring corporate conduct and disseminating our research findings.

We have appeared on television and radio during 2006 and our articles were published in newspapers and journals locally and internationally. The Bench Marks Foundation's newsletter is one of the tools we use to disseminate information to churches, partners and individual clergy. We find it a useful approach in which to share with our stakeholders the work we do. We are producing and distributing the newsletter electronically bi-monthly to a readership of over 100 free subscribers.

The specific objectives of this programme for 2007 include conducting workshops for church leaders on the extractive industries in Rustenburg, Black Economic Empowerment and Employment Equity, multinational corporations in Africa and asset managers' investment criteria. Also the Bench Marks Foundation will release the findings on the Rustenburg platinum mining industry, a process that will involve the media.

Further work for the next year will involve developing promotional material such as a shorter version of our ABC of CSR; reprinting the Bench Marks document and producing banners, posters and periodic publications, which this year will include material on BEE. Patrons of the Bench Marks Foundation will be mobilised to promote the profile of our work and we are in the process of developing an interactive website for communication purposes to drive the African Roundtable and SADC mining study. For this purpose an editor will be employed on a contractual basis.

Conclusion

We are a growing organisation and are being recognised for our innovative work, especially our research work around corporations and our ability to go beyond the reporting requirements of a company showing the gap between policy and practice. This will become more apparent as we move into our advocacy role and the churches buy into our vision and practice ethical investment. We pose a challenge to many initiatives on corporate social responsibility such as the Global Reporting Initiative, the Mail and Guardian's Green Awards and similar awards for good corporate citizenship. In time we will become the authoritative voice on Corporate Social Responsibility as we fulfill our mission of becoming the leading ethical investment and resource group.

Internal capacity to drive our rather ambitious programmes has been the biggest risk to our work and 2007 will see more resources including people to drive our programmes.