GUIDANCE ON ROLE OF SOCIAL AND ETHICS COMMITTEES IN THE TIME OF THE CORONA PANDEMIC

1. Introduction
The requirement that certain categories of companies in South Africa are required by law to have a Social and Ethics sub-committee of the Board, was introduced by the Companies Act (2008) and Companies Regulations (2011). As from 1 May 2012, the companies that fall within the scope of the said Act and Regulations, had to appoint statutory Social and Ethics Committees.

2. The mandate of the Social and Ethics Committee
The statutory mandate of the Social and Ethics Committee requires the committee to monitor whether a company complies with legal requirements and global best practice in terms of its impact on the economy, the workplace, the social environment, and the natural environment. Furthermore, the Social and Ethics Committee is also required to report to both the Board of Directors, and once a year to shareholders at the company’s annual general meeting, on any significant matters that it discovered in its monitoring activities.

The Fourth King Report on Corporate Governance in South Africa (2016) recommended that Social and Ethics Committees should, in addition to the above mandate, also take the responsibility for governing the ethics of organisations. It also recommended (a) that the Social and Ethics Committee should approve strategies and policies related to all matters that fall within its mandate, (b) that it should exercise oversight of a company’s social and ethics performance, and (c) that it should report its social and ethics performance to all its material stakeholders. In addition to expanding the scope of the Social and Ethics Committee, the Fourth King Report also recommended that all organisations, irrespective of the way in which they are incorporated, should govern their social and ethics performance.

3. Social and Ethics Committees and the Corona Pandemic
In a time of crisis, like the current Corona Pandemic, the Social and Ethics Committee has the responsibility to ensure that organisational sustainability is balanced and matched with the economic, social and environmental sustainability of the context in which the organisation operates. Since there is a distinct danger in times of crisis for organisations to regress to a survival morality of ‘Bread first, Morals later’, the Social and Ethics Committee has a special responsibility to also guard against the erosion of the ethical culture of the organisation.
These additional responsibilities in a time of crisis probably means that a Social and Ethics Committee will have to meet at more regular intervals to fulfill this crucial responsibility. As indicated earlier, the statutory mandate of the Social and Ethics Committee, covers the following four areas:

a) Economy  
b) Workplace  
c) Social environment  
d) Natural environment

It can be argued, the it is the first three of these areas that are most adversely affected by the Corona Pandemic. The natural environment, in fact might have even benefitted from the decline in economic activity, the almost world-wide ban on international passenger travel, and the associated decrease of CO\textsuperscript{2} emissions.

In what follows some matters that Social and Ethics Committees could consider in the time of the Corona Pandemic related to their organisations’ performance and impact on the economy, workplace and social environment are identified:

3.1 Economy

- **Economic development:** Many organisations are currently considering job cuts, which will have a detrimental knock-on effect on economic growth. What can be done to prevent job losses? What can we do to prevent the already high unemployment rate in South Africa from spiraling out of control?  
  
  **Fraud and Corruption Prevention:** The host of directives, aid schemes and the accelerated digitisation of work associated with the current state of disaster declared by the President, increased the risk of fraud, cybercrime and corruption. What can we do to prevent our organisation from becoming involved or complicit in such fraud and corruption?  
  
- **Broad-based Black Economic Empowerment:** The current crisis once more demonstrated how the radically unequal distribution of wealth in our country makes us as a nation more vulnerable in the time of crisis, compared to countries with a more equal distribution of wealth. How can we as an organisation accelerate black economic empowerment that is really broad-based?

3.2 Workplace

- **Employee safety and health.** The Pandemic poses a threat to both the physical and mental health of employees. Has our staff been sufficiently informed about the threat of the Corona Pandemic? Have we taken sufficient measures to protect them from being infected in the workplace? Does their transport to work expose them to Covid-19 infection, and what have we done to mitigate that risk? Are we attending to the physical and mental wellbeing of staff working in isolation from home?  
  
- **Education of Employees:** The different way of work and changes in the organisation’s work focus and production, are likely to create new educational and training needs
among employees. Are we providing sufficient training to our staff to equip them with the demands of the new ways of working?

- **Staff relations:** Staff working in isolation from home, or under the constant threat of being infected can have an adverse effect on staff relations. Do we maintain sound relations with our staff during this time of crisis? Is there enough and regular communication with staff to maintain intra-organisational trust? Are we open and honest in our communication with staff – also as it relates to their future work prospects in our organisation?

- **Fair remuneration:** Salary cuts have become unavoidable for some organisations in their attempts to survive the crisis. How do we implement salary cuts? Do we cut salaries by the same margin across all employment levels, or do we trim more at the top (senior and executive management) than at the bottom? Have we communicated implications of changes in remuneration in a timely, honest and accurate manner to all employees?

- **Organisational ethics:** The ethical standards of an organisation can deteriorate in a time of crisis, especially if a survival ethics mentality is adopted, where it is a case of ‘Bread First, Morals Later’. How do we go about preventing a deterioration of our ethical standards in the time of crisis? What do we do to reinforce our commitment to high ethical standards? Do we have ways of assessing the impact of the crisis on ethical conduct in our organisation?

3.3. **Social Environment**

- **Donations and sponsorship:** The pandemic already resulted in job losses that might result in people being deprived of food and other necessities. Are we in a position to help people who are in desperate circumstances? Given our expertise and resources, are we in a position to assist the less fortunate people and communities in our immediate vicinity?

- **Public health and safety:** Operations of organisations often requires them to interact with other people, or to deliver products or services directly to their clients. Have we taken adequate measures to ensure that interaction with clients will not result in them getting infected with the Covid-19 virus? Have we designed alternative ways of delivering our products and services that would not put our clients at risk?

- **Consumer relations:** The pandemic already imposed great constraints on the way in which organisations interact with their customers. Have we communicated the constraints under which we are working with our customers in a way that will give them empathy and understanding for our situation? Have we implemented measures to ensure that we do not harm the trust of our customers?

- **Stakeholder relations:** The current crisis does not only affect relations with customers, but also with suppliers, tenants, business partners and other stakeholders. What have we done to maintain our relations with our other stakeholders? Are we also paying special attention to our stakeholders who are most at risk, like small and medium enterprises in our supply chain?
4. Conclusion
The considerations and questions mentioned are only illustrative of what a Social and Ethics Committee could consider in their role of governing the corporate citizenship and organizational ethics of an organisation in this time of crisis. Hopefully it provides sufficient guidance to members of Social and Ethics Committees to apply their minds to their responsibilities.

In conclusion, it would be prudent for the Social and Ethics Committee to start thinking ahead about what they will be able to report in their next Integrated Report on the impact that the organisation had on its stakeholders and on the economy, workplace, social environment and natural environment.

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For more information on understanding the mandate and effective functioning of a Social and Ethics Committee, please download a free copy of the Social and Ethics Committee Handbook from the website of The Ethics Institute at www.tei.org.za

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