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Issue 48 - December 2023

African Footprint

Newsletter from the Crowe Global African firms

Audit / Tax / Advisory

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Shaping Tomorrow: The Power of ESG-HRD Synergy in Business

Where ESG meets Profit, People and Planet.

As December unfolds and we bid farewell to the year, businesses around the globe find themselves in a pivotal moment of introspection and forward-looking anticipation. This article delves deeper into the synergy between Environmental, Social, and Governance (ESG) principles and Human Resources Development (HRD) practices, and how this interplay serves as a strategic compass guiding businesses into the new year. We underscore the critical role of the stakeholder model in creating enduring value, and championing a long-term vision that benefits businesses, society, and the economy.

Reflecting on the Year: ESG Milestones Revisited
The past year has marked a significant shift in corporate focus towards ESG, driven by increasing investor and societal demand. Businesses that have skillfully woven ESG principles into their operations and HRD frameworks have not only navigated the turbulent waters of change but have also seized new opportunities in these dynamic times.

Advancing Environmental Stewardship
This year, many companies made commendable progress in environmental stewardship, adopting practices like energy efficiency, sustainable sourcing, and waste reduction. These efforts are not just about minimizing environmental impact; they symbolize a growing consciousness of corporate responsibility.

Looking ahead, businesses are encouraged to set even more ambitious environmental targets. These might include reducing carbon emissions, embracing renewable energy, and cultivating sustainable supply chain practices. Engaging employees in these green initiatives enhances their sense of purpose and contributes to a healthier planet.

Championing Social Responsibility

In 2023, pillars of social responsibility such as diversity and inclusion, employee well-being, and community involvement have become more prominent. Companies prioritizing these areas have reported higher employee satisfaction, improved talent acquisition, and a reinforced sense of social commitment.

As the new year approaches, the focus should remain on fostering inclusive work environments where diversity is celebrated, and every employee feels valued. Further, supporting employee well-being through mental health initiatives, flexible working arrangements, and wellness programs is crucial for long-term retention and job satisfaction.

Strengthening Effective Governance

This year also highlighted the importance of transparency, ethical practices, and regulatory compliance in governance. Businesses that upheld these values have gained increased trust and credibility.

In the coming year, it's essential for companies to continue prioritizing robust governance. This involves adhering to ethical standards, complying with legal requirements, and ensuring transparent decision-making. Strong governance not only mitigates risks but also fosters a trust-rich environment, enhancing stakeholder loyalty.

Preparing for the New Year: ESG and HRD as Strategic Pathways

Integrating ESG with HRD practices offers a roadmap for a sustainable, equitable future. Key strategies include -

- **Embracing the Stakeholder Model**
  Adopting a stakeholder-centric business approach is critical for creating lasting value. This model involves considering the needs of all stakeholders – employees, customers, suppliers, and the community. This holistic approach builds resilience and long-term ROI.

  Businesses should conduct regular stakeholder engagement assessments in the new year, identifying opportunities to better meet stakeholder needs and strengthen relationships.

- **Setting Clear ESG Goals**
  Businesses should establish clear, measurable ESG objectives that resonate with their core values and long-term vision. These goals need to be interwoven with HRD strategies, ensuring a holistic approach to business operations.

  Creating cross-functional teams to set and monitor ESG goals can be a practical step forward. Regularly tracking and reporting on these objectives underscores commitment and ensures transparency.

- **Fostering Employee Engagement**
  Empowering employees to take an active role in ESG initiatives is crucial. Encouraging participation in sustainability, diversity, and community projects not only drives ESG goals but also builds a more engaged and committed workforce. In the upcoming year, expanding initiatives for employee involvement in ESG-related activities can be highly beneficial. Recognizing and rewarding those who contribute significantly to these efforts can further boost motivation and participation.

- **Innovating for Sustainability**
  Innovation is the key to sustainable practices. Businesses should explore new technologies and methodologies that align with their ESG ambitions, such as eco-friendly technologies, circular economy models, or sustainable supply chain solutions. A culture of innovation keeps businesses ahead of evolving ESG trends.

A Path Forward: ESG and HR for a Prosperours Futue

As the year ends and the festive season beckons, it's a unique opportunity for businesses to reflect on their journey and plan for a brighter future. Aligning ESG principles with HRD practices offers a powerful route to not just financial success but also to a sustainable and equitable society.

By embracing a stakeholder model, setting clear ESG objectives, encouraging employee engagement, and fostering innovation, businesses can achieve higher investment returns, greater resilience, and a positive societal impact. As we transition from 2023 into the new year, let's commit to this integrated approach, where ESG and HRD are not separate agendas but interconnected facets of a holistic business strategy. This approach promises not only a prosperous future for businesses but also for the communities and environments they touch. Here's to a year of insightful reflection, strategic alignment, and forward-thinking actions that pave the way for a more sustainable, inclusive, and thriving world for all.

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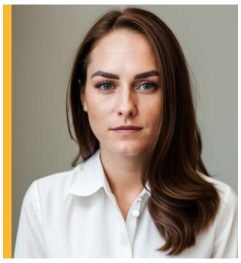

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The Business Case for ESG Strategy

Companies need to realign their relationships with large institutional investors as well as other stakeholders. Corporate governance must be a collaboration between shareholders and stakeholders to deliver long-term value.

In today's business landscape, companies are increasingly recognizing the importance of Environmental, Social and Governance (ESG) factors. While the reasons to consider an ESG strategy are plentiful, the question remains, does it align with your business objectives and make business sense? What is the value proposition of assessing the benefits, costs, risks and opportunities of an ESG strategy? Does it make economic sense? There is a growing debate among corporate executives, boards and institutional investors about how to incorporate ESG factors into strategy and investment decisions. For long-term prosperity, companies must demonstrate good financial performance, but also demonstrate how they benefit all stakeholders, including shareholders, customers, employees and the communities in which they operate. Companies can improve their analysis of ESG risks and opportunities at the operational level by considering how long-term stakeholders incorporate ESG factors into their decision-making. Analysis of ESG factors provides a framework for effective risk management, enabling companies to respond to stakeholder needs and identify growth opportunities and strategy development.

How can companies incorporate ESG factors into their decision-making?

A company starts by identifying ESG factors that are relevant to the company. The stakeholder ecosystem relevant to the enterprise is mapped and stakes analyzed. This allows companies to understand ESG factors that are most relevant to the company and identify key risk areas. Issues such as governance and human capital are universally applicable, while others, such as environmental impact, vary from company to company.

After identifying the relevant factors, the company's position and associated risks in each area can be assessed and quantified. Working with stakeholders who have significant stakes and a long-term view facilitates risk discussions at the corporate and board level, drives corporate investments to mitigate risk, and helps management justify decision-making.

How does the ESG strategy deliver measurable business value?

By integrating ESG issues into their strategy, companies aim to meet the growing need for sustainable and responsible business practices, while managing risk and creating lasting value for stakeholders.

Some of the key factors are -

- **Risk management:**
  Companies that proactively manage environmental and social risks are better equipped to minimize potential liabilities, such as regulatory fines, reputational damage and supply chain disruptions. By incorporating ESG elements into their risk assessment processes, organizations can identify and address potential vulnerabilities.

- **Cost savings:**
  An ESG strategy can lead to operational efficiencies and cost reductions. For example, implementing energy-efficient technologies can reduce utility costs, while waste reduction and recycling initiatives can reduce waste disposal costs. Additionally, improving work and social practices can improve employee productivity and revenue as well as minimize recruitment and training costs.

- **Brand value and reputation:**
  Consumers, investors and other stakeholders increasingly appreciate companies that demonstrate responsible and sustainable practices. By applying ESG principles, companies can build a positive brand image, improve customer loyalty, attract socially responsible investors, and make a difference in the world.

- **Access to capital:**
  Many investors and financial institutions incorporate ESG considerations into their investment decisions. By implementing an ESG strategy, companies can attract more investors, access sustainable financing options, and potentially benefit from lower investment costs.

- **Create lasting value:**
  ESG factors are closely linked to the long-term success of the business. By integrating sustainability into their strategies, companies can adapt to changing market trends, anticipate regulatory changes, and build resilience. They can also drive innovation, attract top talent, and build lasting relationships with stakeholders, leading to sustainable growth and competitive advantage.

Greenwashing and its consequences

This entails falsely presenting a firm, its products, and services as environmentally or socially responsible in order to attract ESG-conscious stakeholders. This can mislead stakeholders into thinking they are investing in a green firm when, in fact, the company is not ecologically conscious. It erodes consumer and investor confidence and misuses funds meant to achieve positive social and environmental outcomes. Greenwashing exposes businesses to legal and financial risks, harms their brand, and undermines their ESG initiatives.

Embracing the ESG shift

ESG leaders will win the competition for long-term investors, value driven clients and mission driven staff. They can take advantage of the growing disparities in opportunity. Stakeholders that value environmental and social responsibility will partner with companies that emphasize these principles. Companies can increase their competitiveness in attracting stakeholders by establishing themselves as ESG leaders and will be better positioned for long-term success. ESG strategies offer tangible benefits for businesses, ranging from risk management and cost savings to enhanced brand value, access to capital, and the creation of lasting value.

By embracing these strategies, companies can improve their financial performance as well as contribute positively to the well-being of shareholders, customers, employees, and the communities in which they operate. To navigate the ESG landscape successfully, companies must prioritize authenticity, transparency, and a genuine commitment to sustainable practices.

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South Africa: VAT on Imported Services

The High Court of South Africa recently heard a case on VAT on imported services and whether such VAT is due in the case of a secondment arrangement. The case involved Citibank South Africa (SA) (“receiving” entity) and non-South African Citibank (Citigroup or “sending” entity).

Citibank SA entered into an intercompany agreement with Citigroup regarding seconding of employees. The Citigroup entity that provides the employee to Citibank SA enters into an assignment agreement with the employee. In terms of the assignment agreement the “sending” entity (non-South African Citibank) lends the services of the seconded employee to the “receiving” entity (Citibank SA). This lending is done in terms of the intercompany agreement. In terms of the assignment agreement the employee remains an employee of the “sending” entity and does not become an employee of the “receiving” entity. In terms of the intercompany agreement the lending of the employee is priced on a cost of employment plus mark-up basis. The “sending” entity would manage and pay the employee and recover these amounts from Citibank SA. No support could be provided that the employees were under the supervision and control of Citibank SA.

The court had to determine whether the seconded employee created a VAT on imported services (reverse charging) liability for Citibank SA. To determine this, the court had to consider whether Citibank SA is the “employer” of the secondee, whether the secondee is the “employee” of Citibank SA, and, whether the “employer” paid “remuneration” to the “employee.” If the arrangement complied with all three defined terms, VAT on imported services would not have been payable.

The court found in favour of SARS and against Citibank SA since Citibank SA did not demonstrate that it acted as “employer” of the seconded employees. Citibank did also not demonstrate that the payments made to the “sending” entity constituted “remuneration” as contemplated by the law. The court found in favour of SARS and awarded costs to SARS.

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Ahmed Ghattour & Co: Talks with Malta

We were honored to host His Excellency, the Maltese Ambassador Saliba Charles on a visit to our firm, Ahmed Ghattour & Co, Tax Audit and Advisory firm.

During the visit, we had the opportunity to showcase our expertise and discuss the potential for collaboration between Malta and Libya in the field of taxation, auditing and advisory services. Ahmed Ghattour & Co specializes in providing comprehensive tax, audit and advisory services to businesses, helping them navigate complex accounting and tax regulations and optimize their financial strategies.

We sincerely thank His Excellency, the Saliba Charles for taking the time to visit our firm and for his valuable insights. We look forward to exploring further opportunities to collaborate and contribute to the economic development of both Malta and Libya.

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About Crowe Global

As a top 10 global accounting network, Crowe Global has over 200 independent accounting and advisory firms in 145 countries.

For more than 100 years, Crowe has made smart decisions for multinational clients working across borders.

Crowe's leaders work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. Their exceptional knowledge of business, local laws and customs provide lasting value to clients undertaking international projects.

Crowe provides global reach on a personal scale. Crowe firms focus on the future, the client experience and working with clients to build something valuable, substantial, and enduring. Close working relationships are at the heart of our effective service delivery.

At Crowe, our professionals all share one commitment, to deliver excellence.