



Sustainability reporting as a reflection of sustainability performance

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Keywords

Sustainability Performance, Reporting, Carbon Disclosure, Environment, Communities

Abstract

The major themes of the research are how well sustainability reporting reflects sustainability performance and 13 companies were assessed over three years on their sustainability reporting as reflected in their sustainability reports as well as 10 in-depth interviews. For both positive and negative reasons the reports are not always a fair reflection of sustainability performance and those companies well-endowed with accolades in sustainability reporting are not necessarily leaders in performance.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: _____ Signature: _____ Date: _____

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I am forever indebted to everyone I know who tried very hard to convince me that I could be a researcher and may not necessarily succeeded.

Thank you to yet another patient supervisor, Leona Craffert

My colleagues and Cennergi and my family, guys, we tried.

And Thank you Lord.

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Glossary of terms

B-BBEE	:-	Broad Based Black Economic Empowerment
CDP	:-	Carbon Disclosure Programme
CERs	:-	Certified Emissions Reductions
DMR	:-	Department of Mineral Resources
GRI	:-	Global Reporting Initiative
IIGCC	:-	Institutional Investors Group on Climate Change
JSE	:-	Johannesburg Securities Exchange
LTIFR	:-	Lost Time to Injury Frequency Rate
SA	:-	South Africa
SED	:-	Socio-Economic Development
SLP	:-	Social and Labour Plan
SRI	:-	Socially Responsible Index
UN	:-	United Nations

Chapter 1: Introduction to Research Problem

Since the 1980s the term sustainability has been used in reference to human sustainability on planet earth. This has subsequently resulted in the most widely quoted Brundtland Commission of the United Nations on March 20, 1987 definition of sustainability and sustainable development: “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1983).” At the 2005 World Summit it was noted that this requires the reconciliation of environmental, social equity and economic demands - the "three pillars" of sustainability.

This view has been expressed as an illustration using three overlapping ellipses indicating that the three pillars of sustainability are not mutually exclusive and can be mutually reinforcing as illustrated below:

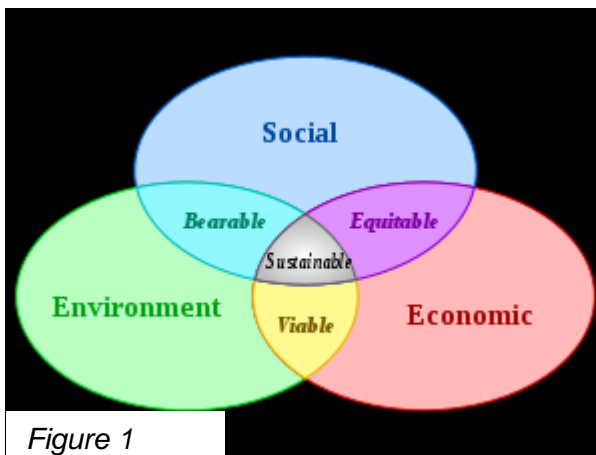


Figure 1

The three pillars often termed as the - "triple bottom line" - have served as a common ground for numerous sustainability standards and certification systems in recent years, in particular in the food industry. Standards which today explicitly refer to the triple bottom line include Rainforest Alliance, Fairtrade, UTZ Certified, and The Common Code for the Coffee Community. The triple bottom line

is also recognized by the ISEAL Alliance - the global association for social and environmental standards (WEC, 2009).

Sustainability or the triple bottom line as defined by the United Nations is not a universally accepted concept and has undergone various open interpretations as to, what it is, what its goals should be, and how these goals are to be achieved. For many environmentalists, the idea of sustainable development is an oxymoron as development by its nature seems to entail some form of environmental exploitation that can lead to degradation (Pirgmaier, Polzin, Lutter, Hinterberger, Stocker, 2010).

Elkington (2010) attests that, if properly understood, sustainability is not the same as corporate social responsibility (CSR) as he believes it continues to be confused, conflated or used synonymously. In his understanding, sustainability cannot be reduced to achieving an acceptable balance across economic, social and environmental bottom lines; instead, it is about the fundamental, intergenerational task of winding down the “dysfunctional” economic and business models of the nineteenth and twentieth century, and the evolution of new ones, fit for a human population (Elkington, 2010).

Other researchers and institutions like Australian researcher, Jon Hawkes (2010) have also pointed out that these three dimensions are not enough to reflect the complexity of contemporary society and suggest that culture could be included in this development model. There, however, seems to be some reasonable consensus locally and abroad that the old business models purely focussed on financial profits are not perceived as sustainable in the long-run. The ensuing section will put forward some of the reasons posited in order to provide context for the research problem and proposed study. Below are just a few of the reasons which lead to the discussion of the problem proposed for the study.

According to the World Economic Commission (WEC) 2009, there will be a tripling of the global middle class by 2030, and each year at least 70 million people will be entering this income bracket in purchasing power parity terms. If this projection plays out as predicted, almost two billion people will join the global middle class by 2030, bringing almost 80 percent of the world’s population into a middle income bracket (WEC, 2009). On the other hand, given the human race’s current rate and patterns of consumption, WEC (2009) stipulates that, three planets “earth” would be required to cater for everyone’s needs. This conundrum creates a systemic challenge to our world economic system and the business community: how is it possible to create wealth for tomorrow’s consumer and value for tomorrow’s businesses in an environmentally sustainable manner (World Economic Forum, 2009)?

Sustainability in the corporate or business sector can be defined as the capacity of companies and organisations to remain productive over time while safeguarding their potential for long-term maintenance of profitability (Mertens, Maas, Strootman and Meliefste, 2012). Being sustainable means that companies actively pursue goals such as

responsible use of natural resources both in their own operations and the operations of their respective clients, as well as respecting social rights in their markets of operation and those markets where their products and services are in use and being accountable to providers of equity and debt capital (Mertens et al, 2012). Corporate sustainability therefore, focuses on both minimising risks arising from environmental, social and corporate governance (ESG) aspects and proactively seeking to gain advantages from “translating” ESG issues into a company’s product and service portfolio leading to companies pursuing corporate sustainability reconcile long-term viability or profitability with management of ESG issues (Mertens et al, 2012).

Corporate investors globally increasingly aim to use ESG information obtained from sustainability reports in their investment decisions and voting behaviour. Adequate and reliable information related to sustainability is important for investors since this information is expected to influence the risks and opportunities related to the companies’ strategies and the sustainable value creation of the companies (Mertens et al 2012).

Sustainability reporting seem to have received a lot of attention from companies, governments and rating agencies throughout the world, but questions continue to arise whether the information disclosed in these reports year on year sufficiently reflects how companies are managing or progressing in their sustainability performance which to a large extents involves management of ESG issues. The latest research from the International Federation of Accountants (IFAC) raises concerns over ESG-related information on company annual reports or integrated reports as often presented in a disconnected unclear way, without a clear relationship to company strategy, risks and opportunities, operations, and financial performance (IFAC, 2012). As a result, despite positive developments in sustainability reporting, companies are apparently still flooded with questionnaires from rating agencies, investors and benchmark agencies to further verify their sustainability credentials every single year(Merten et al, 2012).

In the research, the author studied and analysed twelve companies’ efforts to be sustainable as reported in their sustainability reports or integrated reports to ascertain progress made over three years against the companies’ own targets. The desk stop analysis was further supported by ten interviews out of the original thirteen companies sampled in order to verify the findings from the reports and give companies an opportunity to comment on their own performance and challenges faced in being sustainable

companies. Both the desktop analysis results and company interviews are further compared to established best practice on sustainability performance to:

- firstly ascertain whether sustainability reporting is a fair reflection of actual sustainable performance in each company and
- secondly confirm what companies refer to as their sustainability performance meet globally accepted standards of sustainability performance.

1.1. Definition of Problem and Purpose

Sustainability has received a significant amount of attention over the last several years in South Africa and globally. Chief Executives Officers (CEOs) and their management teams' in private and publically listed companies have aggressively set priorities, goals and targets for their sustainability performance. Companies the world over have issued sustainability reports and undertaken numerous initiatives focused on enhancing their social, environmental and general ethics management performance. The attention and popularity received by companies on how well they disclose their impact to society and the environment has been suspected as being much more than what companies really do with that impact and how they address or limit the negative consequences of their impact.

Many companies locally and abroad have embarked on sustainability management initiatives and publish sustainability reports annually but their main focus in these endeavours had been seen as unclear given the reputational rewards that come with the rewards for reporting disclosure. More often than not, it seemed that sustainability issues were pursued more coincidentally than with a clear strategy (Baumgartner and Edner, 2010) and the overall efforts on reducing companies' impact on climate change not necessarily verifiable.

Ethical Investment Research and Information Service (EIRIS), an independent, not-for-profit organisation and a global leader in the provision of environmental, social, governance (ESG) research for responsible investors has recently analysed the impact and response of some of the world's largest 300 companies on the basis of 24 climate change indicators covering governance, strategy, disclosure and performance elements (EIRIS, 2012). The research advises that for a complete picture of a company's risk profile and sustainability performance, investors should look beyond emissions intensity and also

consider how the company is responding to the challenges of climate change. This research implies that sustainability performance issues for companies go beyond corporate governance, business strategy and disclosure. Therefore good disclosure on a company's sustainability report does not necessarily mean a company is performing well on sustainability performance related matters.

There are different guidelines available in the business market to develop a sustainability report with the widely used being the United Nations' Global Reporting Initiative, (GRI). The purpose of the reporting is to disclose a company's non-financial impact on the environment and society together with normal financial reporting. The numeracy of these standards in the market is seen as an example of the lack of clarity and understanding in measuring and reporting on sustainability performance.

In spite of the perceived lack of clarity on the best guidelines to follow for sustainability reporting, business organisation all over the world have been receiving awards and recognition for their sustainability reporting which led the research author wondering whether the increase in the number of companies applauded for their sustainability reporting means there has been an improvement in sustainability performance. What sustainability performance is understood to be and how it is currently measured will be discussed in the literature review of the research project.

1.2 Why this problem was selected?

The essence of sustainability performance and companies' contribution to combating climate change may be lost in the abundance of sustainability reporting standards and indices, while the global challenges related to sustainability are manifest. Defining how businesses can meet these challenges can be daunting as sustainability performance can encompass a broad range of issues that affect business — from pollution and climate change to education, poverty, health and human rights (PWC Sustainability Agenda, 2010). It involves a connected and complex world with a broad range of stakeholders— from employees and communities to governments and Non-Governmental Organisations, (NGOs) whilst it also includes business operations in different parts of the world with differing jurisdictions, regulations and standards of practice (PWC Sustainability Agenda, 2010).

Not surprisingly, businesses often wonder where to begin defining what sustainability issues are material to them to report on, what measures should the business use for reporting and what are the best ways to track and quantify non-financial data which was never reported on before by companies. The above statement gives some reason and purpose to conduct the study to provide new information to the body of knowledge and provide more clarity on the following main research questions:

- 3 Is sustainability reporting a reflection of sustainability performance?
- 4 Are the companies rewarded for sustainability reporting also performing as well as their reporting?
- 5 Has there been any progress made by companies over time against their sustainability performance objectives?

In some areas of the world, the implications of ecological deficits and imbalances caused by uncapped consumption of limited resources can be devastating leading to resource loss, ecosystem collapse, debt, poverty, famine and even war (sustainability review, 2010). The good sustainability performance perception created by awards given to companies for their sustainability reports may be serving as a false sense of security and not leading to true sustainability performance. Companies and country economies as whole are expected to progress in their commitments to reduce Green House Gas (GHG) emissions which have been identified as the major cause behind climate change and if the perception created by the awards is far from the truth, this could be doing a great disservice to the entire sustainability agenda as a whole. This potential risk makes the study all the more important in order to raise alarm and caution, where required. Due to time limitations, the study will be limited to the corporate business sector operations and not involve government institutions and other stakeholders. Also, outside government operations, private companies, especially in heavily resource extractive industries are very bigger contributors to GHG emissions, commonly known as CO₂ emissions, than governments. That is why 50 percent of the study's sample are heavy impact companies in natural resource intensive industries.

1.3 The Relevance of the topic to business in South Africa

South Africa, even though still a developing country is one of the top ten emitters of green house gases whose negative impacts are associated with exacerbating climate change

further posing a negative impact on the sustainability of its economy and others affected by it. KPMG’s International Corporate responsibility or sustainability reporting survey of 34 countries and 16 sectors has plotted countries according to their maturity in reporting where South Africa still requires significant improvements in quality of communication and levels of process maturity. The key sustainability reporting elements included in the study, plotted in a four box quadrant below with quality of communications and level of process maturity as the axes, include:

- Information systems and processes
- Assurance, both level and scope
- Restatements
- Multiple channel communications
- Use of GRI standards
- Integrated reporting.



Outcomes from this current study will be useful to regulatory bodies on sustainability reporting and performance and as well as help companies understand the relationship between conducting business sustainably and reporting on sustainability.

Other MBA students who would be future decision makers in their respective companies would also be interested in this study for corporate governance reasons especially if sustainable reporting is not seen as a true reflection of performance yet.

The final reason why this research is necessary and relevant is that conventional forms of reporting have failed badly in the latest crisis of capitalism, seriously undermining trust, which is a form of social and political capital that will be needed to drive transformative

change in the future (Elkington, 2010). Simply handing over the mainstreaming of sustainability reporting and performance to the same regulators, auditors and accountants who missed all the signs of the economic meltdown is believed to be a dereliction of duty (Elkington, 2010). There also could be an unparalleled opportunity to create the new rules, institutions and forms of corporate disclosure that improve the way that markets work—and, simultaneously, help advance the sustainability cause to drive the levels of change required in reporting and performance practises (Elkington, 2010).

1.4 Scope of the Research

This research was limited to study of a sample of 12 South African based companies some with a global footprint and listed on the Johannesburg Securities Exchange, (JSE). The companies selected were required to have had at least a three year record of sustainability or integrated reporting. The meaning of sustainability was limited only to the private sector context and no other forms of reports were studied except sustainability and integrated annual reports. The study used existing globally accepted frame works to analyse sustainability performance of these companies but the quality of reporting per se was not scrutinised. The companies chosen were already assumed to be good reporters given the awards they had won in the past. The study did not seek to establish or design new frameworks for assessing or measuring sustainability performance ones but reasons why specific guidelines or frameworks were selected will be clearly stated and justified. Gaps identified in the existing frameworks were discussed and form part of the recommendations of the study.

Chapter 2: Theory and Literature Review

2.1 What is Sustainability

Defined simply, sustainability is improving the quality of human life while living within the carrying capacity of supporting eco-systems. The definition may be thought as vague but it somehow conveys the idea of sustainability having quantifiable limits. It is also a call to action, a task in progress or “journey” and therefore a political process, some may believe. The Earth Charter speaks of “a sustainable global society” founded on respect for nature, universal human rights, economic justice, and a culture of peace” (Earth Charter in Action, 2012).

To add another complication, the word sustainability is applied not only to human sustainability on earth, but also to many situations and contexts over many scales of space and time, from small local ones to the global balance of production and consumption (WEC, 2009). It can also refer to a future intention like, "sustainable agriculture", is not necessarily a current situation but a goal for the future, a prediction, so to speak (WEC, 2009). For all these reasons sustainability is perceived, at one extreme, as nothing more than a feel-good buzzword with little meaning or substance but, at the other, as an important but sometimes unfocused concept like "liberty" or "justice" while it has also been described as a "dialogue of values that defies consensual definition" (Fornelli, 2010).

Some view sustainability narrowly, as focusing mainly on environmental concerns—greenhouse gas emissions, toxic waste, energy consumption, use of finite natural resources, for example, others expand the concept of sustainability to include corporate and social responsibility issues such as human rights, child labour, fair trade practices, and consumer product safety (Fornelli, 2010). Still others view it as including any issue that poses a risk to the long-term sustainability of an enterprise or a company.

2.2 Why is sustainability reporting important

Since the equity markets peaked in early 2000, events all over the world have shaken public confidence in the quality of reported information and a number of corporate failures and scandals have undermined the very trust investors place in those responsible for reporting that information (DiPiazza and Eccles, 2002). For markets to function efficiently and effectively, the corporate reporting supply chain – company executives, boards of directors, information distributors, independent auditing firms, third party analysts, standard setters, and market regulators – along with enabling technologies for producing and consuming information must be dependable (DiPiazza and Eccles, 2002).

Corporate governance failures are also obvious in the current financial crisis. Risk management systems did not work, corporate boards did not live up to their responsibilities and the gatekeepers (financial analysts and rating agencies among others) did not draw attention to systemic risks nor did regulators live up to their responsibilities (Mehta and Srivastavaare,2009). For example, the development of British codes of best practice, which began with the Cadbury Committee, can be related to governance scandals such as Polly Peck and Coloroll in the late 1980s and early 1990s, however, the wave of corporate scandals, mostly in the USA, at the turn of the century have been marked not only by the number of cases but also by the effect they have had on investor confidence and market values worldwide (Mehta and Srivastavaare, 2009). There is an urgent need to reshape the international risk management system aligning government and private sector responsibilities, sanction misbehaviour and increase board competences and responsibilities (Elkington, 2010). Reporting on sustainability performance forms part of these risks that need to be safe guard not only because of the risks to investors but to society as a whole.

The normal and established financial reporting standards from which sustainability reporting get its foundation do not allow the report preparers to capture fully the value of intellectual and human capital as well as environmental impact. Yet in a recent Organisation for Economic Co-operation and Development (OECD) report, "companies that make substantial use of intellectual assets have become the hallmark of the modern economy". As shown in the report, accounting standards and the associated financial accounts appear to be inherently unsuitable for recognising intellectual, social and environmental assets, which are the embodiment of sustainability performance measures. Finally, accounting standards do nothing about measuring the company's contribution to sustainable development, in promoting good labour practices and enhancing human

capital and respecting standards of integrity in commercial transactions. There is no lack of sustainability reports, toolkits and suggested practices but outside the United Nations' GRI, there seems to be very few internationally recognised indicators that would allow true comparability of the reports and ensure accountability (KPMG, 2010). A lot more local and international guidelines including the JSE's own Corporate Responsibility Index (SRI) reporting requirement for listed companies have been established since KPMG's 2010 report.

The GRI has long argued that sustainability reporting is not about compliance; rather, it is a starting point for sustainability transformation and performance. Sustainability reporting should be seen and approached with a sense of urgency by firms that seek to create value for their stakeholders, now and in the long term, while transforming their subsequent impact on the environment and society. The trend that is emerging is that of companies doing whatever it takes to meet the GRIs requirement which were set as a "starting" pointing to sustainability reporting and using the GRI's ratings as a tool to enhance their corporate reputation as sustainable or responsible companies. These claims were explored further during the research study and 12 companies were probed to reveal the detail that lies behind their annual GRI submissions that form part of the sustainability or integrated reports.

2.3 The origins of reporting and sustainability reporting

There seems to be no "one-size-fits-all" when it comes to sustainability reporting. The needs will be different across industry sectors, and could also vary among companies within a given sector (Fornelli, 2010) but the GRI guidelines followed by all the companies surveyed for the research are not sector specific, only generic. Over the past three decades, advocates from various stakeholder groups—investors, employees, communities, environmentalists, consumers, and regulators alike—have sought to expand corporate reporting to include environmental, social and governance (ESG) data (UNCTAD, 2008). It is the GRI's current policy not to be a judge of performance, but there is a need for the development of powerful new measures covering true progress (or lack of it) against several priority targets identified within the sustainability agenda (Elkington, 2010). Large and influential heavy weights in business like Standard & Poor's, Nasdaq and the New York Stock Exchange (NYSE) are starting to move into this market but few of

them, however, are yet to do much measuring their own ecological footprints (Elkington, 2010). It has been heard repeatedly, recently, from a number of firms that they feel they spend large sums investing in sustainability practices, they then write about them in their sustainability reports, and they are never heard of again (Elkington, 2010).

2.4 Linking reporting to performance

The effective and truthful presentation of performance data in sustainability reporting has been identified as a key challenge since the rise of sustainability reporting; “describing performance in a clear, balanced, and unbiased way is one of the major challenges of effective sustainability reporting” (Day, 2009). Similarly, the credibility of, and trust in, data and information presented in sustainability reports continues to be questioned by many critics where recent studies found a pervasive corporate practise of under-disclosure of environmental liabilities both locally and abroad (Day, 2009) which led to an increasing demand for external assurance of the information supplied in sustainability reports (Trialogue, 2005) quoted in Day (2009).

This clearly illustrates there to be a lack of trust in the information supplied by companies in their sustainability reports with regards to their performance on sustainability issues. Third party assurance “offers stakeholders some assurance as to the credibility of the information presented in the report and in the underlying information gathering process” (Trialogue 2005) but some companies already doubt the credibility of third party assurance by auditors who have little knowledge about the complexities of their business operations.

2.5 Integration of Sustainability performance into Business Strategy

While still dealing with the complexity of sustainability report initiated over a decade ago, recent survey results in sustainable development show that companies are gradually moving towards integrated reports. The integrated report which is a combination of the annual and sustainability report is believed to indicate the entanglement of sustainability performance and business strategy, making sustainability an integral part of how business is done (Mertens, Maas, Strootman and Meliefste, 2012). The reason to publish a separate

sustainability report on the other hand was, for most of the respondents, to bring more attention to the topic of sustainability within the company (Mertens et al, 2012).

Sustainability should be embedded in all functions and in the thinking of all employees in the business, but according to Epstein (2008), determining the best ways to thoroughly integrate these improvements into all parts of the organisation still presents a great challenge for companies. Epstein (2008) further attests that for sustainability to be valuable to both the organisation and its stakeholders, it must be fully integrated into the way the company does business. This suggested integration would allow for sustainability issues to be effectively addressed across the organisation and for the sustainability reporting activities to be an integrated process, rather than a sporadic annual clamour for data as currently perceived (Day, 2009).

“Best-practise sustainability reporting cannot be a yearly adjunct to business as usual; it needs to be carefully planned and integrated with other aspects of the business but at the same time, given its complexity, it should be an incremental process of continual improvement” (Day, 2009). They go on to say that if the reporting process is well planned, and the main elements of the process are included, that “the report itself becomes merely a logical output of a deeply entrenched sustainability management process, rather than an annual grind that is an end in itself” then even the numbers on improved or declined performance become more believable.

Some believe that in order for any real progress to be made, sustainability reporting must, to some extent, be made mandatory in order to assure that comparable sustainability data is available to investors and other stakeholders who might wish to form judgments on the materiality of this data on their own (Lydenburg, Rogers and Wood, 2010). It is also argued that tailored key sustainability performance indicators, which vary in their materiality from industry to industry, should play an important role in such disclosure (Lydenburg et al, 2010). South African listed companies already experience the effects of mandatory sustainability reporting from the King III codes of corporate governance’ apply or explain method and the study will further confirm whether this requirement has brought an alignment between sustainability reporting and performance.

More and more businesses that have aligned their activities with the principles of sustainable development are battling to amend their old ways of measuring corporate

performance as the reporting requirements include issues which may be outside the direct control of the organisation, that are difficult to characterise and often are based on value judgements rather than hard data (Keeble, Topiol and Berkeley, 2006). The difficulty in measuring sustainability performance is further complicated by the fact that many corporations have a complex organisational structure, with different business streams, functions and projects as mentioned earlier in this review (Keeble et al, 2006).

2.6 Best practice key performance indicators, ratings and rankings: A criteria for sustainability performance

Sustainability performance management is a newly emerging term which addresses the social, environmental and economic (performance) aspects of corporate management in general and of corporate sustainability management in particular (Schaltegger and Wagner, 2006). The management of sustainability performance requires a sound management framework which firstly links environmental and social management with the business and competitive strategy and, secondly, that integrates environmental and social information with economic business information and sustainability reporting (Schaltegger and Wagner, 2006).

Other scholar contributions that sought to address the link between sustainability and business strategy were the sustainability balanced scorecard as a strategic information and management approach, sustainability accounting as a supporting measurement approach and sustainability reporting for communication and reporting (Figge, Hahn, Schaltegger and Wagner, 2002). By linking operational and non-financial corporate activities with causal chains to the firm's long-term strategy, the balanced scorecard was designed to support the alignment and management of all corporate activities according to their strategic relevance and make it possible to take into account non-monetary strategic success factors that significantly impacted the economic success of a business (Figge et al, 2002). This was a tool expected to be a promising starting-point to also incorporate environmental and social aspects into the main management system of a firm but seems to have failed to gain popularity as sustainability reports and integrated sustainability reports gained ground. A tool or framework that manages to shift companies away from short term financial targets and elevates the value of non-financial returns would have probably received more success and credibility (Elkington, 2010).

A more reliable tool to reasonably measure sustainability performance to be used in the research study is outlined in Appendix A, with 12 Key Performance Indicators (KPIs) used in the assessment of the Global 100 (most sustainable corporations) ratings' model with a complete description of how each KPI is translated into a company score provided, along with a brief explanation of each KPI's underlying rationale (Global 100, 2012). Out of the 12 Global 100 KPIs, between six and eight had a stronger relevance to the study sample context and therefore were focussed on more than others. The test for relevance was obtained from studying the materiality issues and focus-areas in the various companies' sustainability reports or integrated reports which also led to some of the indicators being adapted and augmented in order to match the context of the study. The important factor was to make sure that the indicators chosen cover all three of the ESG factors, environment, social and governance and ethics at large.

THE GLOBAL 100 INDICATORS FOR ASSESSING SUSTAINABILITY PERFORMANCE

1. **Energy Productivity or Efficiency:** - Energy availability and costs are one of the greatest challenges facing global as well as Southern African corporations in the 21st Century. Rising and increasingly volatile energy costs can lead to reduced profitability, particularly in energy intensive industries and in companies with unsophisticated energy management plans (Global 100, 2012).
2. **Green House Gas (GHG) (mainly CO₂) Productivity or Efficiency:** - The regulation of carbon can have both positive and negative effects on company profitability, depending on individual company circumstances, for example, allocation of permits, management plan, and marginal abatement cost, etcetera (Global 100, 2012). With the South African government's looming plans for a carbon tax to be imposed upon companies in the near future, this is a critical consideration and measure of performance for companies with a direct impact on business profits if not well managed.
3. **Water Productivity or Efficiency:** - Water is a vital yet largely underappreciated input in many industrial sectors, including Oil & Gas and Mining and global fresh

water scarcity has been identified by several international bodies as a growing threat to peace and prosperity in certain regions (Global 100. 2012). Interruption of water supply can lead to lowered production, with negative effects on long term competitiveness and therefore a very critical indicator in measuring sustainability performance.

4. **Waste Productivity:** - Above average waste productivity indicates more efficient processes and lower disposal costs.
5. **Innovation Capacity:**- Companies at the forefront of innovation are better positioned to capture emerging market opportunities and to control risk. This metric is a particularly revealing financial indicator in knowledge and science based industries, including Pharmaceuticals and Technology. This indicators was used quite sparingly across all other indictors due to differences in what innovation meant in all the different sectors selected for the study
6. **Percentage tax paid:** - In the current era of large government deficits and austerity measures, tax authorities are clamping down on legal tax loopholes and other vehicles that permit tax minimization. Against this backdrop, determining which companies pay substantially lower cash tax as a per cent of their reported statutory tax rate relative to their industry peers provides insight into a host of risk factors that could impact future cash flows (Global 100, 2012). This is one of the indicators that could potential take the study out of scope and complicate data analysis due to unavailability of the information requires therefore was not used as a performance measure in the research project.
7. **CEO to average employee pay:** - A disproportionate share of compensation expenditure going to one person can lead to lower overall workforce motivation, and can also be indicative of potential governance risks, or misalignments of interests (Global 100, 2012). This has been a strongly relevant matter in the South African context but was also not utilised as one of the performance indicators due to sensitivities and confidentiality in the market around executive remuneration.

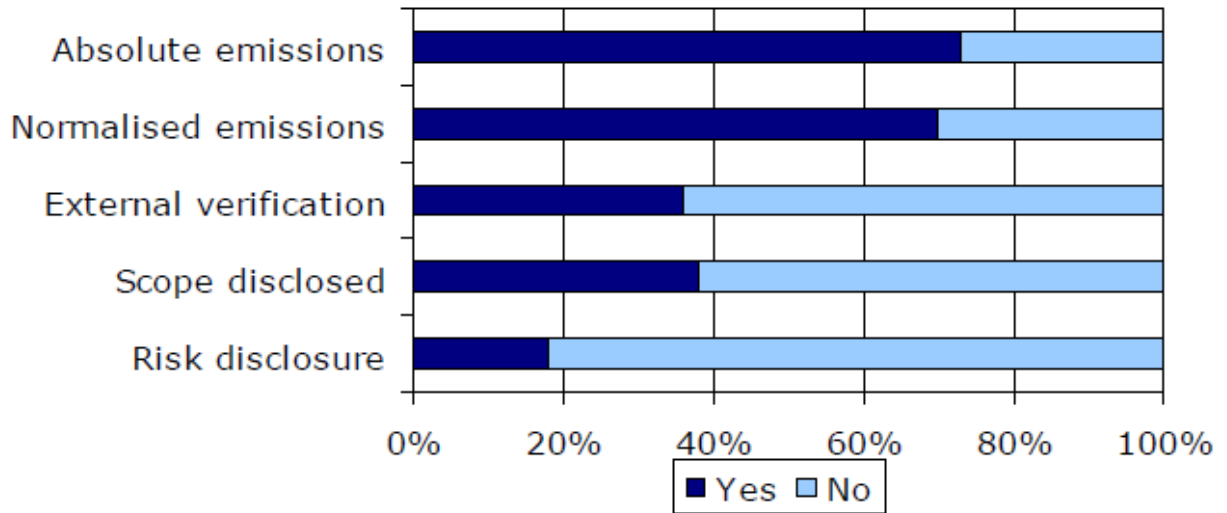
8. **Pension Fund Status:** - Due to the unique nature of this indicator, a test is first performed to determine relevance; if a company does not meet the test; it is not scored on this indicator (Global 100, 2012). This was another indicator, though critical, that was not used due to foreseeable complication in the calculation that could potential skew the research data.
9. **Safety Productivity:** - The Safety Productivity score ranges from 0-100%. It is calculated by dividing an entity's total revenue in USD for a particular fiscal period by the total number of fatalities (multiplied by \$1,000,000 USD) and by the total number of lost time injuries (multiplied by \$1,000 USD) for the same period. Only locally relevant units and scales as per sustainability reports will be used to calculate and assess safety productivity of the surveyed companies.
10. **Employee Turnover:** - Low employee turnover is positively associated with employee morale and productivity, efficient preservation of human capital and reduced transactions costs. This indicator was augmented to include overall employee wellness, employee engagement as well as transformation (Black Economic Empowerment) and gender diversity measure in order to ensure it caters fully for the study's geographic context.
11. **Leadership Diversity:** - An emerging body of research suggests that companies with more diverse boards, especially with respect to gender, have higher performance on key financial metrics such as Return on Equity, Return on Sales and Return on Invested Capital (Global 100. 2012). This measure will include sustainability related academic background and experience within leadership and the board.
12. **Clean Capitalism Pay link:** - Evidence of sustained management focus on clean capitalism business drivers can be found in mechanisms that link the remuneration of senior executives with the achievement of clean capitalism goals and targets (Global 100, 2010). This one indicator is a concept that has not really received popularity yet in South Africa and therefore did not form part the study but was inferred in some of the results findings.

Community engagement initiatives, though difficult to measure will be included as one of the indicators because of their strong local relevance. All the above indicators have corresponding GRI codes aligned to each of them and equal weightings of 8.3 per cent making out almost a 100 per cent. The full list with more detailed explained forms appendix A of the study. The list of possible sustainable actions to be measured is long, and it requires one to review their operations across the spectrum of sustainability dimensions but yet companies are criticised as being heavily obsessed with ticking off the long list of GRI reporting measures without understanding what is really material for their business and which sustainability measures are crucial and aligned to its business strategy (Elkington, 2011).

2.7 Further challenges with measuring performance

Lack of clarity and comparability of quantitative data can compromise investment decisions based solely on the disclosure of quantitative data and other initiatives recently introduced within the sustainability agenda, such as the Carbon Disclosure Project (CDP) have made a significant contribution to the amount of data disclosed (EIRIS, 2012). A quantitative research conducted by EIRIS in February, 2012, on the “global corporate response to climate change and the implications for investors” shows that only 18 per cent of very high and high impact companies globally are providing a quantified assessment of the financial, regulatory or physical risks or opportunities posed by climate change. See figure below as extracted from the study.

**Fig 7. Disclosure performance
(% very high & high impact companies)**



The above study constituted 300 largest global companies by market capitalisation listed on the FTSE and all World Index we used to analyse the current state of corporate response to climate change, highlighted the challenges these present and further examined the implications for investors (EIRIS, 2012). The fact that there is any disclosure is in large part due to the inclusion of this question in the CDP questionnaire and disclosure in the area of climate change will increase as a result of investor, regulatory and wider stakeholder pressure, however, at present, quantitative disclosure of emissions data is still highly variable and difficult to depend on compared to reports on financial performance (EIRIS, 2012).

For a complete picture of a company’s risk profile investors should also look beyond emissions intensity, which are very popular with those reporting disclosure, but to how the company is responding to the challenges of climate change. This involves fully understanding carbon risks and opportunities - within both the portfolio and the wider economic picture and identify those companies actively managing their risks or seeking out opportunities for example in terms of establishing a competitive advantage, preparing for future challenges such as regulation, or adapting their business model completely (EIRIS, 2012). This is what is believed would contribute in a meaningful well to real sustainability performance where a focus on investing in climate change solutions

companies, such as renewable energy or energy efficiency, is another way to factor in carbon.

2.8 Third Party Assurance of non-financial reports

According to the Account-Ability AA1000AS standard on accountability for sustainability, accountability is made up of three principles: 'transparency (to account to its stakeholders), responsiveness (to respond to stakeholders concerns) and compliance (to comply with standards to which it is voluntarily committed, and rules and regulations that it must comply for statutory reasons (Institute of Social and Ethical Accountability, 2003). From this pragmatic perspective, accountability for sustainability involves the organization demonstrating the extent to which it meets social, environmental and economic responsibilities through compliance with standards and established rules in the area. Whatever the interpretation of sustainability and the type of standard used by organizations, accountability typically involves verification and certifying mechanisms (Power, 1997). Thus, for organizations and stakeholders alike, one of the key questions is: to what extent is certification auditing reliable, relevant and trustworthy enough to significantly contribute to the realization of accountability for sustainability (Boiral and Gendron, 2010) as organizations often fail to demonstrate convincingly their accountability for sustainability?

For non- financial reports to make sense to other stakeholders and have credibility, it is required by the King III code for Governance and other global standards that they be verified or assured by an independent third party who was not involved both in the preparation and design of the report in question (PWC industry perspective, 2010). Most research on sustainability reports has been undertaken by researchers in the area of financial accountability. In reviewing research on sustainability accounting, Thomson (2007) found around 700 articles grounded in the financial accountability area and in his mapping of the field, revealed that the mainstream literature is dominated by descriptive and non-critical analyses of environmental and social disclosures. Contrary to self-declared conformity, external audits of sustainability reports are seen as providing stakeholders with a high degree of assurance regarding the appropriate implementation of standards (Kolk and Perego, 2010).

Critical studies have argued that although sustainability reporting and assurance practices are, respectively, supposed to convey unbiased information and opinion to various stakeholders (Institute of Social and Ethical Accountability, 2003), they are mostly driven by corporate interests (Kolk, 2004). The reliability of sustainability reports, whether certified or not, has been widely criticized in the literature and the critics have also deplored civil society for not being intensively involved in the development and certification of sustainability reports (Kolk, 2004).

Stakeholders want to be able to compare the performance of different companies, or even entire industries, in these areas, which can only be done with uniform underlying standards (Elkington, 2010). Developing countries are largely under-represented in private-sector standard-setting bodies and the rise of corporate scandals and failures; the rules of accounting and reporting and the regulation of the profession are being revised in developed market economies expecting developing countries to meet these higher standards which are not of their own making (*Mattli and Buthe, 2005*). The International Standards of Accounting and Reporting (ISAR) provides the only opportunity for many developing countries to identify their policy needs, agree on harmonized approaches and influence the “rules of the game” set by developed market economies (UNCTAD, 2008).

2.9 Sustainability Performance to Different Stakeholder

Sustainability can encompass a broad range of issues that affect business — from pollution and climate change to education, poverty, health and human rights. It involves a connected world with a broad range of stakeholders—from employees and communities to governments and NGOs and it also includes operations in other parts of the world with differing jurisdictions, regulations and standards of practice (PWC Sustainability Agenda, 2010). An integrated report tells the overall story of the organisation and it is a report to all stakeholders on the strategy, performance and activities of the organisation in a manner that allows stakeholders to assess the ability of the organisation to create and sustain value over the short, medium and long term (Freemantle, 2010). An effective integrated report reflects an appreciation that the organisation’s ability to create and sustain value that is based on financial, social, economic and environmental systems and by the quality of its relationships with its stakeholders (Freemantle, 2010). Different stakeholder then attach different levels of importance with regards to what the sustainability performance of a company means to them.

2.9.1 Sustainability to shareholders and Investors

Investors have the perception that companies do not provide enough information or not the necessary relevant information (Eccles & Serafeim, 2011). Investors incorporating ESG analyses have shown to outperform their peers. As observed in a longitudinal study from Harvard and the London School of Economics, “high” sustainability companies significantly outperform their peers with 4.8% higher stock prices over the long-term (Eccles et al., 2011) from Mertens et al 2012.

Asset owners and asset managers have an interest in ensuring a robust policy framework to provide a clear and consistent market signal. To this end, initiatives such as the Institutional Investors Group on Climate Change (IIGCC), Investor Statement on Climate Change and the letter sent by institutional investors urging politicians at the UN Climate Change Conference, UNCCC in Bali to make substantial progress on a post-2012 climate treaty that would allow them to invest in long-term projects to reduce carbon emissions and counter climate change are important steps (EIRIS, 2012). Climate change will continue to have significant physical and economic impacts and as these impacts increase, investors need to develop mechanisms to factor in the effect of climate change and to secure financial returns in a carbon-constrained economy (Maier, 2012).

Both companies and large investors emphasise the need for a general international reporting standard for sustainability information, for example a system comparable to the framework for financial reporting (IFRS) but not necessarily IFRS’s Directive-like system and this framework should be generic and sector-neutral but provide enough opportunities to include sector and business specific information (Merten et al, 2012). The GRI indicators commonly used by companies currently do not meet these specifications.

It is further recommended that the use of (a common set of) KPIs could be promoted through legislation, a “comply or explain” system similar to the King III in South Africa, or initiatives from the industries companies are working in (Merten et al, 2012). Currently, the International Integrated Reporting Council (IIRC) and the GRI are working on a new framework for integrated reporting in which they try to combine the current demands for changes in financial reporting and sustainability reporting and the GRI will publish its new G4 guidelines – the next generation – in May 2013. Unfortunately the IIRC will not be able to publish its recommendations before that date so the expectations are that the GRI will do some recommendations itself on integrated reporting with the knowledge its board

acquires from the IIRC work in progress (EIRIS, 2012). This still leaves a gap and vacuum in the reporting world of standardized sector specific indicators and guidelines which would subsequently enable better performance comparisons between companies.

2.9.2 Sustainability to customers

Companies that take the lead on sustainability will be market makers rather than market takers in the future and by showing the consumer that there is no need to sacrifice price and quality for sustainability, tomorrow's successful businesses will meaningfully engage the next two billion consumers, the largest new market the world has ever known (WEF, 2009). In doing so, they will secure stronger markets and a better business tomorrow. Politicians and governments are looking for ways to regulate a better world and price externalities without compromising development or living standards and if business can build sustainability without compromise to the consumer and voter, they will pave the way for better and more welcome regulation (WEF, 2009).

Some consumers, especially in developing markets are still confused about sustainability, and new ways to reshape the role of consumers will be required to proactively engage them in an experiential relationship, beyond the purchase of a product (WEF, 2009). As consumers remain price sensitive, the onus will be on sustainable business innovation to meet tomorrow's demands. This is what essence sustainability performance would look like for well-informed consumers of the next generation.

Underpinning it all is the critical importance of effective community and employee engagement to safe guard current and future sustainability of business operations. Recent occurrences in South Africa prove to us the above stakeholders' impact to business can never be over emphasised.

Given the multitude of sustainability reporting and performance standards, guidelines and indices which at times overlap and often miss local content, a question arose which the author sought to address in the study was whether sustainability reporting is a reflection of sustainability performance" and the detail on the question and its objectives follows in the next chapter.

Chapter 3

Although many companies publish sustainability reports, their main focus in this endeavour remains unclear and often, it seems that sustainability issues are pursued more coincidentally than with a clear strategy (Baumgartner and Edner, 2010). What is still missing are concrete strategies to improve sustainability performance in terms of the material issues identified by company stakeholders. Business organisations and sustainability experts are still trying to find a suitable fit between business operations and practical and implementable sustainability performance strategies for companies with little or marginal success.

The author seeks to get an understanding from private sector companies, whether the increasing commitment to sustainability reporting consequently leads to or precedes their sustainability performance. Sustainability reporting, both globally and nationally, seems to be gaining more status and recognition than performance, even with particular companies receiving prestigious awards for their sustainability reports (which is very good for their corporate reputation and image). It is currently not clear whether the companies reported for leading in sustainability reporting are also the ones with the high sustainability performance as the end result would be reduced negative impact of business operations on society and the environment.

3.1 Main research question

The key questions the research sought to address were the following:

3.1.1 Is sustainability reporting a reflection of sustainability performance?

3.1.2 Has there been any progress made by companies over time against their sustainability performance objectives?

3.2 Research Objectives

3.2.1 To explore the relationship between sustainability reporting and actual sustainability performance;

- 3.2.2 To understand the selected companies' views and evaluation of their performance against their reported performance. Are the companies rewarded for sustainability reporting also performing?
- 3.2.3 To contribute towards body of knowledge regarding the purported gap between performance and reporting

All the above objectives were channelled with empirical evidence in such a way as to understand whether sustainability reporting leads to positive improvements in sustainability performance or not. Chapter four details the methodology during the study. The results of both reports analysis and interviews from the study are presented in Chapter five in tubular and anecdotal format. The results are analysed in Chapter six with key dominant themes grouped together from both the desk top analysis and research interviews. Conclusions and recommendations drawn from the study are presented in Chapter 7.

Chapter 4: Research Methodology and Design

Research design is the plan and structure so conceived as to obtain answers to research questions (Blumberg, Cooper and Schindler, 2008). It involves decisions with regard to each step of the research process. In this chapter, the philosophical and meta-theoretical assumptions underpinning the study will be discussed and the rationale behind the choice of qualitative methodology will be provided. The research design will express both the structure of the research problem and the plan of investigation to be used to obtain empirical evidence in relation to the problem.

A sampling strategy utilised in the study was provided, as will be a brief introduction to the research participants. The data gathering, capturing and analysis processes were detailed and the strategies used to ensure the integrity of the study explained. Ethical considerations pertinent to the study and the means through which to address them in the practical execution of the research study were outlined.

4.1 Research Approach

To address the specific research question, the most suitable way was through qualitative research. Qualitative research is advised when a researcher is trying to understand a new phenomenon in a particular situation rather than trying to establish a relationship between two or more variables (Leedy and Ormrod, 2001). This research topic was examined through exploratory research. Exploratory research can be defined as, “research that aims to seek new insights into phenomena, to ask questions, and to assess the phenomena in a new light” (Saunders et al., 2009, p. 592). Qualitative research uses a method that attempts to comprehend a new phenomenon in specific situations (Golafshani, 2003), where the phenomenon will “unfold naturally” (Patton, 2002, p. 39). Patton (2002) states that in qualitative research “the researcher does not attempt to manipulate the phenomenon of interest” (p. 39), hence the ‘researcher follows’ instead of being ‘researcher led’ as in quantitative research methods.

Qualitative research is associated with exploring a new phenomenon in a particular and relevant situation and it will not be approached with the same understanding of reliability and validity as in quantitative research (Saunders et al., 2009). Qualitative research is an iterative process, with the importance for a firmly designed guideline to monitor the data collection and analysis process (Yin, 2003). Qualitative findings can be replicated and sometimes generalised to theory but they cannot be inferred across the entire population given the small sample size (Yin, 2003). Therefore as qualitative research does not use standardized methods, the study is therefore not repeatable (Saunders et al., 2009). Nevertheless, the process was as transparent as possible and all the procedures and processes employed during the study were well documented. The researcher documented all the notes during the research process in order to ensure reliability (Saunders et al., 2009).

The study consisted of two exploratory parts:

- (i) Analysis of a minimum of 10 sustainability and integrated reports from South African based listed companies who have produced the reports for at least the past 3 years to determine the nature and extent of improvements in sustainability performance the companies achieved over the reported periods.
- (ii) Interviews with the 10 sustainability managers or executives of these companies to obtain their views of the performance of the company in relation to that which is reported.

4.2 Population

Purposeful sampling was applied to select a minimum of 12 companies from the accessible population of all for profit companies currently listed in the Johannesburg Securities Exchange (JSE) in South Africa. It is a requirement of the JSE that all listed companies produce an integrated report or a sustainability report together with its annual report every year. There are companies not listed on the JSE who also produce sustainability reports but this is not mandatory for them. These are usually smaller companies in turnover and ecological footprint compared to listed companies, hence limiting the population to listed companies.

4.3 Sample Size

The identification of samples in qualitative research is inclined to be purposive or snowball, rather than being random. The respondents were recognized through purposively sampling as well as snowball sampling. When three companies were not able to grant interviews during the period of the study, two from unavailability and one because internal challenges with local communities, employees and trade unions, one extra company was purposefully selected to form part of the study. Purposive sampling is based on accessibility and the snowball sampling is useful when trying to penetrate a specialized area (Saunders et al., 2009). The respondents of preference have more information and / or richer experience due to their position held (Welman and Kruger, 2001). The sampling frame for this study are companies that have produced and published a sustainability or integrated report in the past three consecutive years and have been recognised for the quality of their reporting in any of the three years. Respondents for the in-depth interviews were the most senior person accountable for sustainability in each of the companies.

Patton (2002) states that in qualitative research there are no set rules for the sample size. The degree of validity, meaningfulness and insight depends more on the richness of the information gathered than the size. Therefore a small sample is taken in order to retain more richness when it comes to description. This yields a higher internal validity; however the external validity may be limited (Saunders *et al.*, 2009). 12 companies will be selected for desktop analysis of the reports where sustainability performance is reported but only 9 of the originally selected companies were available for further interviews therefore one extra company was included as part of the study to make it 13 reports analysed accompanied by 10 interviews. The extra company selected is in the same industry as one of the companies that could not be interviewed.

The 13 companies to be studied during the research are selected in order of availability from the top GRI-based reporters as per 2011 JSE SR index 2011.

Company code & Respondent code	Sector	Interview Date	Length of Transcript	Role of Respondent
A - 1	Banking - A	17/10/12	16	Sustainability Specialist
B - 2	Mining - K	26/10/12	38	Executive Head Safety & Sustainable

				Development
C - 3	Mining - AGA	31/10/12	30	Senior Vice President Sustainability - Policy and Assurance
D - 4	Mining - E	30/10/12	40	Group Manager, Community Development, SHEC former Group SD Manager.
E – 5 & 6	Mining - GF	02/11/2012	31	Corporate Affairs Manager and Sustainability Specialist
F - 7	Banking - N	29/10/2012 By telephone	27	Social & Environmental Risk Manager, Enterprise, Governance & Compliance
G - 8	FMCG - S	26/10/2012	78	Sustainable Development Manager
H - 9	Manufacturing - S	25/10/2012	43	Group Head Investor Relations and Sustainability
I - 10	Energy - S	05/11/2012	42 pages	Head of Group Sustainability
J - 11	FMCG - W	31/10/2012 By telephone	9	Head of Sustainability
K - 0	Mining - L	N/A	N/A	Could not grant interview
L – V1	Telecoms - M	Referred to Video	3	From Sustainability Specialist
M - 0	Telecom - V	N/A	N/A	Not available

As mention above, the head of Sustainability or Corporate Affairs in each company was interviewed. The study tried to incorporate a variety of sectors in order to try and limit

possible sector specific bias but the mining industry dominated in the sample because of its heavy impact nature and larger environmental footprint.

4.4 Research Process and Data Gathering

4.4.1 Phase 1

The starting point, phase one of the study, was a desk top review of sustainability reports or integrated reports of the top sustainability reporting companies in South Africa over the past three years, 2011, 2010 and 2009 respectively. The research focused more on the environmental materiality issues section of the reports and targets set with progress reported over three years. The original intent as per research proposal submitted in July was to exclude all analysis internal and external stakeholder engagement but from the very first interview with the respondents this proved very difficult to ignore given the current socio-economic climate in South Africa with regards to communities, employee engagement and trade unions.

Phase 1 Data collection and analysis

The reports were reviewed and studied both online and as hard copies and common themes and trends from them were tabulated and tested for consistency in unit of measurement used over the three years as well as determine progress made over the years per materiality issue. One company report was studied per day to allow for an in-depth review and the desktop analysis was completed in 13 consecutive days. Points of clarity noted from the reports were included as part of specific questions to the 11 company representative who were interviewed out of the 13 reports reviewed but only representing 10 companies as one company opted for two respondents for the interview. Progress was measured against each company's own reporting over the three years and where improvement is evident over the past three years this improvement was compared to international benchmarks using the framework in Annexure A.

4.4.2 Phase 2

In Phase two of the study, the author conducted 10 in depth interviews, two by telephone and 8 in person with heads of sustainability, vice presidents and sustainability specialist from the companies listed earlier whose reports were studied in phase one. This phase aimed to provide an understanding of how each company rated its own performance and subsequently compared to the researcher's analysis informed by literature. The researcher engaged respondents in in-depth interviews by means of a semi-structured interview guide whose questions were derived from analysis of their reports which allowed the author to build on questions as the interview went along. The duration of the interviews ranged from 30 – 45 minutes each, although the telephonic interviews proved to be a bit shorter and 4 out of the 10 interview went beyond one hour. The interview guide was sent out to the respondents prior to the interview to allow them time to prepare and think about their responses. All the respondents signed or agreed to sign their consent forms prior to the commencement of the interview and were well informed of their rights as respondents to the study.

The objective of the research study was tested first against the global reporting initiative and an established sustainability performance framework similar to one in appendix A and then verified through in-depth, semi-structured, face to face and telephonic interviews. Appendix B exhibits the interview guideline used during the interviews. The semi-structured interviews are valuable when there are several respondents to be interviewed and they allow for a hybrid of deductive or inductive approach. It allows for comparative analysis due to a degree of regulation and allows for spontaneity in which the interviewer can ask for clarification or elaboration (Welman and Kruger, 2001). In relation to this study, two sources of data collection were involved, namely; the sustainability or integrated reports and the interviews.

The researcher undertook the following data collection and analysis methods for each interview (Saunders et al., 2009; Patton, 2002; Welman and Kruger, 2001; Miles and Huberman, 1994):

1. Conducted the interview
2. Transcribed the interview from tape recording and notes with the assistance of professional transcribers in order to save time.
3. Acknowledge any insightful and analytical aspects from the researcher notes for use in future interviews and analysis.

4. Combined and organised the researcher notes into themes. Made a record of any new themes emerging, and adjusted the interview guide accordingly to allow for further investigation of the new themes.
5. Repeat the above steps for the subsequent interviews.

The researcher commenced interviews by explaining to the respondents the purpose of the study and that the respondents do not have to divulge anything that they do not want to. Expectations of a research participant, including the amount of time required for participation was explained. Emphasis was made that this research was voluntary and participants could withdraw at any time with no negative ramifications. An explanation was provided on how the respondents' confidentiality would be protected.

4.5 Unit of Analysis

An important step in designing research is the decision on the unit of analysis which describes the level at which the research is performed and which objects are research (Blumberg et al, 2008). In the current planned researched, the primary unit of analysis was the information obtained from the selected companies' integrated or sustainability reports. The secondary unit of analysis was the selected organisations' sustainability performance as described by the interviewees, the Heads of Sustainability in each company.

4.6 How the data was analysed

4.6.1 Reports

The research studied all the 13 companies' selected sustainability materiality issues over three year, traced the targets sets by the companies to improve on these issues starting from 2009 until 2011 for each companies. All significant changes on these were noted and more information was sought on the reasons behind the changes. The researched checked if exactly the same issues were reported on in subsequent years and whether the measurement units have not changes for each of them and noted any significant changes for further confirmation during the interviews. For companies within the same sector, comparisons were made between the companies to search for any major trends emerging.

Differences between high and low impact sectors were noted and the different ways of addressing highlighted challenges among the sectors. The researcher also tracked the number of awards received by each company per year and compared that to their performance within that particular year in order to see the correlations between sustainability awards for reporting and ensuing performance. New questions emerged from this analysis and they were carrying over to the in-depth interview with the Head of Sustainability in each company. Results from the analysis are tabulated in Chapter five per company with narrative commentary from the researcher on how the company fares compared to the Global 100 KPIs criteria on each of the materiality issues analysed.

4.6.2 Interviews

Once the interviews were completed and the data from the audios was transcribed to word documents, the following method was used to analyse the data:

- **Unitization:** each transcript was studied, themes noted and compared to the results from the reports and compared to themes arising from other transcripts
- **Categorization:** the author developed a framework of categories that are relevant to the themes and patterns that emerged in particular those significant to the research questions.

The analysis focused on content from the interviews, for example the number of companies that mentioned their battles with data integrity in order to get the final numbers which get published in their reports and the narrative analysis in individual cases where the utterances were with so much conviction, profound or kept being repeated throughout the interview. This process helped the author identify themes and patterns that were most prominent and noted particularly interesting findings. Comparative analysis was then examined across all the interviews. This allowed for a more standardized conceptual framework for measuring sustainability performance to emerge if there's uniformity and consistency among the respondents. The author also studied the body language and the levels of confidence of the respondents throughout all the interviews and was able to find noteworthy reasons for the differing levels of comfort or confidence among the respondents.

The reliability of the above qualitative research method was improved by developing categories which could allow for the method to be repeated. The inductive approach to the data collection allowed for the essence of the new phenomenon to be captured and therefore increase the validity of the study (Srnka and Koeszegi, 2007).

4.7 Errors to be considered or limitations of the research

The first limitation of the study is the researcher's own passion for sustainability which may have made her ask the respondents leading questions at times due to her own knowledge and experience. The passion of the researcher about the topic may have introduced researcher bias during the in-depth interviews but this was noted from the first batch of transcripts that was completed and behaviour was corrected accordingly. Also the study was conducted during a time where there are major social challenges with communities in the mining industry and therefore, three of the 12 companies sampled for the study could not grant permission to be interviewed, one noting the same challenge mentioned above as the reason for not granting the interview. To overcome the vacuum left by this one company, another was selected in the same industry with similar awards for reporting but there was not enough time to replace the other two as the decision not to grant the interview were made much later after the request was made. The two companies who could not be interviewed had their reports available for public consumption and they were analysed but the researcher missed the opportunity to verify the findings with the company and gain more clarity. The limitations above could significantly reduce the impact on the amount of generalizing that can be done in the study especially that two of the companies are the major players in the tele-communications industry and were the only two sampled in that industry.

Another error that occurred was a recorder malfunction during the first interview conducted which led to the file being broken down into four parts because the device kept going off every ten minutes. This led to some of the information not be captured. This was verified by sending the completed transcript to the interviewee who assisted in feeling the missing gaps but not all the information could be captured. No further recorder malfunction occurred for the rest of the interview process. Also the transcribers used were not familiar with the content therefore the research had to re-listen to certain parts of the audios after

receiving the transcripts where the content was not making sense but was able to correct the mistakes made. None of the interviewees had a problem with being recorded even though some had softer voices and made hearing difficult at times but have the transcripts completed overnight right after the interview made it easy to remember the few areas that were inaudible.

Many a times also, the interviewer assumed that the respondent's definition of sustainability performance was the same as hers or the one written in the company's sustainability report and went straight through the interviews without asking for the definition first. When this was noted during the transcripts analysis, the researcher sent emails to the respondent where the definition was unclear and 50 per cent of them responded back and the rest of the definitions had to be deduced from the transcribed conversation.

Another challenge that emerged that could impact on the study is that most of the companies selected are not only South African companies and they report their results at group level with a number of subsidiaries included from different countries. Although South Africa is always selected as a reporting market in these reports, it is not always possible to include everything that is material to South African stakeholders into the one report. Four of the respondents to the survey were executives positioned at regional level in their companies and would start responding with the region's performance in mind until the researcher clarified her interest on South African based operations for which they didn't have the same level of confidence in responding on as the region but did their best to provide more locally relevant supplementary information to address the areas they were not confident about which meant extra desk top analysis for the researcher post the interviews to feel the gaps .

The different environments, context and ecological impact levels of the companies being researched also introduced certain anomalies to the research like difficulty in comparison which may not be relevant in other context. Finally, the timeframe during which the report is to be completed may limit the richness of the findings. Had there be more time available to complete the research, greater insights would have emerged and more scientific and quantitative permutations could have been possible.

Chapter 5

This section of the research presents the results for the research questions and objectives. The results are tabulated per report analysed with subsequent information from interview conducted following the finding from the report.

The questions were as follows:

- Is sustainability reporting a reflection of sustainability performance?
- Has there been any progress made by companies over time against their sustainability performance objectives?

The research Objectives were to:

- To explore the relationship between sustainability reporting and actual sustainability performance;
- To understand the selected companies' views and evaluation of their performance against their reported performance. Were the companies rewarded for sustainability reporting also performing well?
- To contribute towards body of knowledge regarding the purported gap between performance and reporting

The table below represents the summary of the size of some of the companies sampled for the study

Company statistics and key information					
		Size in Market Cap	Number of employees	Reporting method used	Reporting Guidelines
A	Banking - A	R 101,3 Billion a subsidiary of a much larger group.	39 659 employees	Integrated Annual Report	GRI, JSE SRI, King III code, CDP Companies Act
B	Mining - K	R161 Billion	11 998 including contractors	Integrated Annual Report	GRI, JSE SRI, King III code, CDP Companies Act, Equator Principles, Social and Labour Plans.
C	Mining - AGA		32 082	Integrated Annual	GRI, JSE SRI,

			employees in South African operations	Report	King III code, CDP Companies Act, Equator Principles, Social and Labour Plans.
D	Mining - E		10 519 employees	Integrated Annual Report	GRI, JSE SRI, King III, SLP, Companies Act
E	Mining - GF		46,378 90% located	Integrated Annual Report	GRI, JSE SRI, King III, SLP, Companies Act
F	Banking - N		27 525 employees	Integrated Annual Report	GRI, JSE SRI, King III, SLP, Companies Act
G	FMCG - S	+R70 Billion rand (Value of SAB economy wide contribution to SA's GDP.	9 390 employees	Sustainable Development Report at both group and local level	King III, GRI 3
H	Manufacturing - S		14 900 world wide	Sustainability Report	GRI 3, King III

Progress on Materiality issues over the years: Company A

Company A was the first interview with a sustainability specialist of the company. There were some glitches with the recorder but were sorted and data verified with respondent.

Awards received for reporting

- one of 30 JSE-listed organisations to be awarded a 'Best Performer' certificate in the 2009 JSE Socially Responsible Investment (SRI) Index survey;
- one of only 10 listed companies in the index to be recognised as a 'Best Performer' for three consecutive years.

	Sector	2009	2010	2011	Comments & Context
	Indicator	Performance			
1	Energy Intensity	Used different units	77, 144 KWh	66,814 KWh	Both 2010 and 2011 figures were found in 2011 report

2	CO ₂ emissions in tonnes per CO ₂ e	40 412	409 444	359 038	Showing an improvement even per employee equivalent
3	Water Management	Not reported the same way	346,986 litres	300,524 litres	Improvements and substantiated in the reports
4	Waste Management	Not reported	16, 553 kg of landfill kg of CO ₂	12,007kg of landfill	Both figure found in 2011 report but show improvement.
5	Safety & Health,	N/A	N/A	N/A	N/A
6	Employee turnover	12.3	10,1	11,9	Increase in permanent employee turnover.
7	Leadership diversity focussed on executive or top management	17.9 %	25,8 %	24.1 %	Showing a decline in the past two years
8	Community Engagement measured in SED spend.	R 114.5 million	R 83.4 million	R96.4 million	The impact of the spend on the communities was not detailed in the report.

Other notable improvements in sustainability matters relevant to this particular industry was the gradual increase in customer, increase in cell phone banking take up and increase in IT infrastructure spend leading to improved reliability over the three years being studied. Improvements in responsible lending were also noted and improvements in debt repayments. There was also a notable increase in regrettable employee losses between 2011 and 2010 in spite of increase in promotions and transfers.

On water management, the reports highlights a key initiative that;

“Despite our low water consumption, we have installed a grey water recycling system in ATW. Our system can recycle and purify up to 45 000 litres of water per day and has been further enhanced by installing of a metering system, which significantly reduces our consumption of potable water” (Company A Integrated Report, 2011).

Companies own assessment from Interviews: Respondent 1 from Company A

The respondent confirmed that the company still have a long way in order to get the data right and now the group is already shifting the towards corporate citizenship which is believe to be above integrated reporting.

Progress on Materiality issues over the years: Company B

Due to the size and complexity of Company B's operations, only one of the subsidiaries was focused on both for report analysis as well as for the in-depth interview. Below is a summary of the progress made on sustainability material issues.

Awards and accolades received for reporting

		2009	2010	2011	Comments & Context
	Indicator	Performance			
1	Energy Intensity In GJ per tons of ore	+ - 40 million	+ -50	+ - 60	Graph was not very clear so researcher could get exact numbers but the increase was evident.
2	CO ₂ emissions in million tonnes	0.80	0.84	0.91	An increase in CO ₂ e showing no improvement.
3	Water Management in 000m ³		8,778	8, 179	Showing a slight improvement
4	Waste Management	Very difficult to document as some of the waste is re-mined.			
5	Safety & Health, in number of fatalities	1	3	0	Showing an improvement over the last two years. the lost time frequency injury rate (LTFIR) also

					significantly decreased.
6	Employee turnover		3.1	3.0	Showing improvement
7	Leadership diversity in HDSA in management	44 %	47 %	50 %	Gradual improvements
8	Community Engagement as in SED spend	R 41 million	R 134 million	R189 million	Strong community engagement but battling to quantify impact of spend

Summary of performance noted from the report

By the end of 2013, a climate adaptation plan for Company B, detailing the risks and associated mitigation plans, will have been put in place. This will be supported by the development of a regional climate model to identify key site adaptation requirements.

The total energy consumption for the group rose by 10.7% to 7,046,889 gigajoules (GJ) in 2011 (2010: 6,365,277GJ), owing to rising waste stripping requirements and expansions. **Energy intensity also rose** by 20% to 0.177GJ per tonne of ore. Of the total energy consumed, electricity purchased accounted for 26% while 74% was generated from fossil fuels. Company B's group uses its Group Technical Standard as an energy and emissions management standard for the Group. Gap analyses for full compliance were conducted during the year by Anglo American Technical Services at all of Company B's operations

Companies own assessment from Interviews: Respondent 2 from Company B

Interview was the most technical with the Vice president of Safety and Health and Sustainability in Company B. Company B also confirmed challenges with data integrity in spite of their own internal systems developed to track performance across the group. Company B showed a higher level of executive management involvement in the reporting process which led to many of their successes in managing performance. What was puzzling though about company B, their targets and baseline is not a set target, but a

oving one that constant shifts based on how business as usual is mapped in the particular year. The company will then set new target to improve on business as usual.

Progress on Materiality issues over the years: Company C

	Sector	2009	2010	2011	Comments & Context
	Indicator	Performance			
1	Energy Intensity	12.34 million GJ	12.37 million GJ	11.68 million GJ	Indirect energy purchased also decreased from 11.53 to 10.53 million GJ for SA operations.
2	GHG (CO ₂) emissions	3,396 in ktCO ₂ e	3,419 in ktCO ₂ e	3,079 in ktCO ₂ e	Gradual decrease in emissions in the past 2 year
3	Water Management or usage	19,649 million litres	20,896 in million litres	18,821 in million litres	Showing improvement over the past two years.
4	Waste Management	Both hazardous and non-hazardous waste presented in symbols and figures author could not understand. Waste management plans discussed during interview.			
5	Safety & Health, in number of fatalities	12	10	9	Improved, the most imported indicator though is the lost time frequency injury rate (LTFIR) which increased showing no improvement
6	Employee turnover		13.77%	8.99 %	Showing an improvement but there was an increase in women employee turnover

					from 0.85 to 0.86 in the same two years.
7	Leadership diversity		90% male 10% female	89.84 male 10.16 female	Showing a slight improvement in female representation.
8	Community Engagement in SED spend		R 3,242 million	R 3,670 million	Improved but significantly lower than the other organisations in the same industry

Companies own assessment from Interviews: Respondent 3 from Company C

This respondent was also a very senior regional resource in the company based at group level with massive experience over 30 years and understood the business so well he could easily understand the impact of setting targets that could be practically unattainable.

Progress on Materiality issues over the years: Company D

Recent awards received related to sustainability reporting

- **Chartered Secretaries Southern Africa/ JSE annual report awards 2011:** Sappi award for best sustainability reporting, merit award in the top 40 category
- **Ernst & Young (E&Y) Excellence in Corporate Reporting 2011:** Sixth place in top 10, from top 25 in 2010
- **Association of Certified Chartered Accountants (ACCA) of South Africa —** endorsed by KPMG: Second place for best sustainability report in the mining industry in 2010
- **JSE Socially Responsible Investment index** - One of 22 best performers out of 74 companies in the index (after 104 companies were evaluated)
- **Companies of the future 2011:** Exxaro was among the top 20 companies for an engineering career in a survey covering over 38 000 students at South African universities.

- **Environmental Investment Organisation:** Independent NPO that researches, promotes and implements investment systems to incentivise global corporate emissions reductions. Exxaro placed 29th out of 300 international companies in the EIO's global 800 carbon ranking.

		2009	2010	2011	Comments & Context
	Indicator	Performance			
1	Energy Intensity		12 000 GJ	11 400 GJ	Total cumulative target is 10% reduction from 2009 baseline by end 2012. Target for 2012 is 6,2%.
2	CO ₂ emissions	2, 250 in Kt CO2e	2, 100 in Kt CO2e	2, 000 in Kt CO2e	Focussing on scope 2 emission as the significant contributor. Showing a decline over the years
3	Water Management or usage		25 million m ³	29.5 million m ³	
4	Waste Management				
5	Safety & Health, in fatalities	3	2	3	Increased but lost-time injury frequency rate decreased over the 3 years 0.33 >> 0.25 >> 0.20 respectively.
6	Employee wellness and turnover				
7	Leadership diversity	No females in top management out of 6 executives and 11 females in senior management out of 97 people.			
8	Community Engagement	1.8% of NPAT	2.5 % of NPAT	1.4 % of NPAT	As a proportion of net profit after tax, decreased to its lowest in the past 2 years.

Companies own assessment from Interviews: Respondent 4 from Company D

The respondent was no longer the head of sustainability at the time of the company as the company had gone through a recent structuring. He brought a lot of insight and confirmation on how companies shy away from reporting areas they are lagging behind on making the report not a 100 per cent reflection of business performance.

Progress on Materiality issues over the years: Company E

Company E has received the most of the prestigious awards for sustainability reporting in the past year of all the companies surveyed but had the most uneasy and uncomfortable respondents during the interview. It is the only company that chose to bring two respondents for the interview and the awards will be listed below before the report analysis and further discussed in the interview sections.

As detailed in the early pages of the integrated reporting, during 2011, Gold Fields won the following awards and recognition, amongst others:

- First place in the open pit mining category of the 14th National Mining Safety Contest of Peru, a competition organised by the Mining Safety Institute of Peru
- Registration of the Beatrix Methane Project as a Clean Development Mechanism (CDM) project by the United Nations
- Framework Convention on Climate Change (UNFCCC): Fourth place amongst global mining companies in the 2011
- Dow Jones Sustainability Index (DJSI), making Gold Fields the highest ranking South African listed mining company in the DJSI
- Ranked first in the JSE Top 100 Carbon Disclosure Leadership Index (CDLI) by the global Carbon Disclosure Project (CDP).
- In the CDP's Carbon Performance Ratings, was one of only two JSE companies to be placed in the top band for their climate mitigation and adaptation actions
- Placed first among the top 300 companies operating in the BRICS (Brazil, Russia, India, China, South Africa) countries in the Environmental Tracking Carbon Rankings by the Environmental Investment Organisation.
- Was ranked third in the Global Top 800 companies table
- Rated by the JSE as one of its best performers in the 'high environmental impact' category of its Socially Responsible Investment index. This makes the company one of only six consistent best performers for five years running
- Receipt of the 2011 Global Business Coalition Health Award in the category of Workplace and Community Engagement for our wellness programme in Ghana
- First place in the Mining and Industrial category at the Southern African Institute of Steel Construction (SAISC) Steel Awards 2011 for the new steel headgear at South Deep

- Global Reporting Initiative A+ compliance for our 2011 Integrated Annual Review
- Achievement of advanced-level reporting under the United Nations Global Compact
- Joint first place in the Ernst & Young Excellence in Corporate Reporting 2011 awards for companies listed on the JSE

	Sector	2009	2010	2011	Comments & Context
	Indicator	Performance			
1	Energy Intensity – Consumption at Group level	24,915 in terajoules	25,618 in terajoules	25,772 in terajoules	South Africa is targeting reduced energy consumption of around 5% in 2012. This will build on a 17% reduction in electricity consumption already achieved between 2007 and 2011. None of the 2 respondents could explain to the researcher's satisfaction how this 17% was achieved.
2	CO ₂ emissions (scope 1 and 2) ('000 tonnes) ³	5,507 and SA figures 3,492.3	5,350 SA figures 3,348.2	5,298 SA figures 3,295.9	Our reliance on coal-generated power for our deep-level mines in SA accounts for the majority of our carbon emissions (89% of Scope 1 and 2 emissions). Much of the remainder is accounted for by our truck fleets in our other regions.
3	Water Management (withdrawal)	72,403 L million	76,326 L million	78,236 L million	Increase in water usage
4	Waste Management (mining waste)	167,569 ('000 tonnes)	193,577	189,409	
5	Safety & Health, in fatalities at Group	26	18	20	In SA alone, LTIFR rose by 10%,

	level				
6	Employee turnover (management)		30.34%	21.29 %	More than double average turnover of 8% in the country even though it has decreased. Senior management turnover at 28.29% higher than 2010's 26%
7	Leadership diversity (management)	39.1 % HDSA	41.4 % HDSA	42.7 % HDSA	
8	Community Engagement in SED spend	11 million	67 million	54 million	Detailed list of programmes in the report but still not quantifying impact.

Emerging carbon regulation in Australia and South Africa makes it particularly important that we continue to reduce our energy consumption, reduce our carbon emissions and generate Certified Emissions Reductions (CERs) (Company E Report, 2011).

Companies own assessment from Interviews: Respondent 5 and 6 from Company E

Reporting process undertaken
Challenges mentioned
Company's own assessment of it performance

Progress on Materiality issues over the years: Company F

Awards received for sustainability reporting:

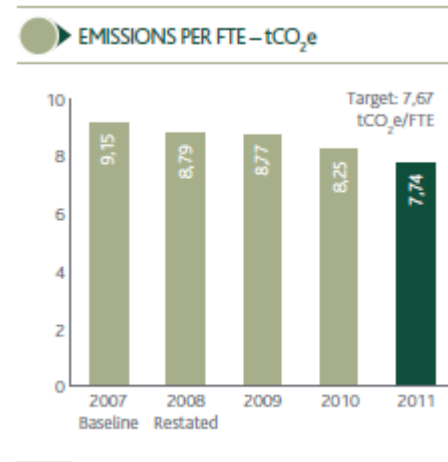
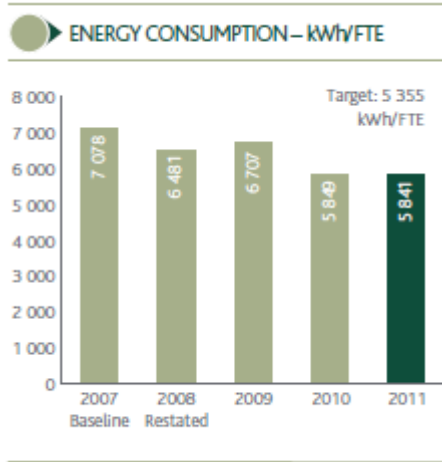
- African Business Award 2011 for Good Corporate Governance
- Best Integrated Report 2011 – Chartered Secretaries and the JSE
- Nkonki and Financial Mail 2011 Integrated Reporting Award: Best Integrated Reporting in the Financial Sector

- Joint winner in the Financial Services category of the Climate Change Leadership Award
- The Ecobank– Nedbank Alliance was recognised as the Most Innovative Bank in Africa at the African Banker Awards
- Ernst & Young Excellence in Corporate Reporting Survey: Joint first for Excellence in Corporate Reporting category
- Level 3 Gold Financial Community Contributor award from the National Department of Social Development and the CSI Registrar for ‘continued compassion and generosity demonstrated in assisting those less fortunate’
- Bank of the Year in South Africa for 2011 Financial Times / The Banker magazine
- South African Carbon Disclosure Project Leadership Index 2011 – recognised as a leader (gold certificate A-) in the performance category and placed second (96%) in the Disclosure category.

Material indicators of performance from report to be further analysed

Resource	Target
Energy	12% reduction by the end of 2015 based on 2005 levels or 5 335 kWh per fulltime employee (FTE). Currently at 5 841 kWh per FTE.
Water	6% reduction by the end of 2016 based on 2011 levels or consumption of 15,01 kl per FTE. Currently at 15,97 kl per FTE.
Paper*	10% reduction by the end of 2016 based on 2010 levels. The 2011 paper consumption was 1 775 tonnes (2010: 1 917 tonnes).
Waste	8% reduction by the end of 2016 based on 2011 levels, or waste to landfill of 20,91 kg per FTE. Currently at 23 kg per FTE.
Recycling	6% increase in recycling by the end of 2016 based on 2011 levels or 33,58 kg per FTE. Currently at 31,68 per FTE.
Carbon emissions (includes business travel)	12% reduction by the end of 2015 based on 2007 levels or 7,67 tCO ₂ e per FTE. Currently at 7,74 tCO ₂ e per FTE.

The energy and emissions reductions detailed with focus on the last three years:



Companies own assessment from Interviews: Respondent 7 from Company F

The respondent from Company F spent more than half of the interview time, which was only 30 minutes on the telephone, going through a long list of the different sustainability initiatives the company is involve in both locally and international. Even when asked specific questions as per interview guideline it sounded like the responded was reading from a pre-pared list of areas he was determined to mention whether they were relevant to the question or not making it difficult for the research to pick up any worthy insights from the interview. In a transcribed interview of 27 pages, after the opening remarks the researcher managed to ask about three real question and actualy got a chance to utter a full sentence in page 12 after page one opening, the rest were just, “Yes’s, Aha’s and really’s” (transcript and audio file in research pack bear testament).

The company took more than a week to grant the interview to the researcher, asked for the questions before hand and opted for a telephonic interview even though they are based in Johannesburg. The company was reluctant to be interviewed due to “businesses” and sent the researcher a list of frequently asked questions (emails included in project pack) with answers but the researcher insisted on an interview as the answers provided were not enough to fulfil the needs of the research. This is the company with the longest or second longest accolades for both sustainability reporting and performance received both locally and abroad. After the interview, the researcher was so drained, despondent and disillusioned; she almost gave up on the whole paper and regretted ever choosing the topic in spite of her passions for the subject.

Progress on Materiality issues over the years: Company G

Company G reports annually as part of a bigger group of companies and the local operations produced their first sustainability report in 2012 after not producing one in four years. Both the group and local reports are very internally focussed and basically tell the company story and journey to operational excellence using their own indicators and system, “SAM” systems. All the scores and ratings given for the ten priorities issues the companies has chosen to be material to them have internally designed rankings following a stair case the group designed for all the markets to use. This made it difficult to access performance if one is not part of the group of companies because a SAM score of four or five will not mean much to an external stakeholder that is not part of the company’s value chain.

Companies own assessment from Interviews: Respondent 8 from Company G

This was the longest of all the interviews conducted even though the respondent was more than 30 minutes late for the appointment. The total pages transcribed came up to 78 while the average had been 40 pages and half the content is about the importance of water and how without water there is not business and SD (sustainable development) is not an advocate against the business but a champion to help the business find better ways to win. Very few companies in the country though can revival Company G on their innovation in employee wellness, engagement, attraction, retention and commitments to Black Economic Empowerment (BEE), especially enterprise development. On commitment to the rest of the environment, good water stewardship is the only game in town because it makes perfect sense to the business. It’s a risk everyone understands has a direct impact to the bottom line.

Progress on Materiality issues over the years: Company H

This one the first company where the head of sustainability is also the head of investor relations and brought insights that were profound in integrating sustainability fully into the business strategy

Sector	2009	2010	2013	Comments & Context
Indicator	Performance			

1	Energy Intensity				
2	CO ₂ emissions				
3	Water Management				
4	Waste Management				
5	Safety & Health,				
6	Employee wellness and turnover				
7	Leadership diversity				
8	Community Engagement				

Guidelines followed

Awards and accolades received for reporting

Report external verification

Companies own assessment from Interviews: Respondent 9 from Company H

Progress on Materiality issues over the years: Company I

This was the last interview conducted for the study and the head of sustainability was available two days before the submissions of the research but his insight were not worth and carried a lot of recommendations for future research. Respondent had the most humble representation of the company's performance in spite of doing very well.

	Sector		Year 1	Yea 2	Year 3	Comments & Context
	Indicator	Materiality	Performance			
1	Energy Intensity					
2	CO ₂ emissions					
3	Water Management					
4	Waste Management					
5	Safety & Health,					
6	Employee wellness and turnover					

7	Leadership diversity					
8	Community Engagement					

Companies own assessment from Interviews: Respondent 10 from Company I

Progress on Materiality issues over the years: Company J

This was one of the most detailed integrated reports on line. Very long and similar to Company F and both companies are the two in the sample that closely link their corporate brands to the “green” agenda. Company J had very board commitments and list of intentions towards sustainability performance some listed below. There were much bigger expectations from the researcher to see more specific targets and timelines against the company’s established materiality issues but not much came out even from the telephonic interview with the Head of Sustainability in the group. The researcher sought more insight to the process of reporting and how performance was tracked and below are the key responses worth noted.

PERFORMANCE		
	2011	2010
Inclusion in the JSE SRI Index	✓	✓
GBJ index overall score	86.0%	81.0%
BBBEE score	Level 4 (72.05)	Level 5 (56.93)
Energy saving (relative reduction from benchmark year)	22.5%	18.0%
Green buildings (number of buildings)	18	13
Packaging reduction (food)	8.24%	6.6%
Relative water reduction in corporate stores	(5%)	26.0%
Water usage head office – kilolitres	29 385	29 625
Water usage distribution centres – kilolitres	150 238	151 481
Number of schools on EduPlant programme	2 536	3 720
Produce suppliers qualifying for the Farming for the Future programme	70%	68.4%
Corporate social investment contribution	R370m	R314m

Companies own assessment from Interviews: Respondent 11 from Company J

At company J, the head of sustainability reports to marketing director, while transformation is split and separated from sustainability and the head of transformation reports to the human resources director. Company J hangs a lot of its reputation and public relations on it being an organic driven, sustainability focussed company hence the close link between sustainability and marketing, “it is who we are as a business and how we do things, a culture that was established more than ten years ago” (Respondent 11, 2012).

Insight into the reporting process undertaken and how performance is tracked

After a rigorous internal process of establishing materiality issues including international benchmarks of companies in the same industry the six issues selected were broken down into more than 200 indicators that are tracked and reported on twice a year. The researcher was amazed at the amount of indicators but the respondent insisted that;

“...some of them are more kind of compliance related, knowing we’ve got the right structures, policies, etc. to replace and then a good budget in terms of where we want to be more efficient or to change our polices or practices going forward” (Respondent 11, 2012).

Challenges mentioned during the interview

The challenges to be mentioned below are hardly mentioned in the company’s integrated report which is the key unit of measurement when giving awards for sustainability reporting. The respondent was asked about the challenges that impact on the company’s sustainability performance and responded;

“I think we grapple with a lot of different areas, the change and the new issues come around very quickly so there is a lot more we could do in climate changes I feel there is a lot more that can be done in the supply chain which we’ve started working even more on and there is more we can do around consumer education, so we’ve got a lot of things still to do” (Respondent 11, 2012).

Company’s own assessment of it performance

In spite of the challenges mentioned above specifically on data integrity, the respondent still sees the companies as the leaders and main drivers in sustainability performance in the country. The company has an internal system that was developed and currently weights and prioritises each of their indicators, measure them twice a year and, “it basically kind of equalises all of the different indicators and comes up with a single percentage score of achievement for the whole business and for each business unit and for each key focus area so it makes it a lot easier in terms of integrating score cards and things like that (Respondent 11, 2012).

Progress on Materiality issues over the years: Company K with no Interview

The company, K was awarded the following accolades for its sustainability reporting in the last financial year:

- Gold achieved in the South African carbon disclosure project
- Excellent ranking by Ernst and Young for 2010 Sustainable Development Report
- C+ ranking by Oekom research agency
- Retained inclusion on FTSE4Good and JSE SRI Indices
- Ranked 3rd by Sustainability Services2 for GRI performance
- GRI application level A+

The author does not have the full detail behind the credibility and weight of the awards but the majority of them are bestowed by highly credible companies and financial institutions locally and abroad. The detailed criteria for selection used by the awarding institutions are not within the scope of the study but they are mostly bestowed to companies who have showed responsibility in their business operations beyond financial profitability.

No respondents to be available to verify the company’s performance against its sustainability targets due to a socio economic tragedy that befell the company in the last month putting a significant threat to its overall sustainability. Many of the respondents when asked about the difficult to quantify the value of the social aspects of sustainability performance quoted the above company’s demise and stated:

“If I just look, you know, at all our operations, you know, we engage on a regular basis with the communities in which we operate, because we depend on them... If you don’t have that good relationship with them, things like Marikana will happen, so, you know, it’s essential that you – you can’t measure it in value, but if you don’t do it you will know it

very, very quickly. It will hurt you, so we do it not because it creates value, or you can measure the value, it is the right thing to do” (Respondent 8, 2012).

Respondent 9 (2012) from company H after attending a sustainability awards dinner two weeks before he was interviewed for the research also highlighted that:

“You know and I was at a sustainability awards thing last week, they were saying that not one of the mining companies could have been involved now with all of these strikes, and Marikana... Not one of them put a sustainability report as a risk the social issues around their mines and unhappiness with unions or anything like that.”

If the companies are failing then to understand the risks material to them for reporting, against what then does one measure, track and confirm their sustainability performance when materiality establishment missed the mark from the onset. But the respondent further argued that;

“So even if the mines had realized this was a risk, would they have been able to put it down there in a way that makes sense to anybody. They just, you know if you would truly put down all of the risks that you were faced with in a report, well that is all the report will be about and will anybody ever invest in any company again. You know surely to a certain extent there is, you know you need to focus on what are the things you could do something about.”

A few other respondents confirmed earlier that most companies under report or omit some negative incidences in their operations to avoid reputational damage making the reports a somewhat uneven representation of reality. No further analysis into other environmental performance factors was done for the above company.

Progress on Materiality issues over the years: Company L with no Interview but referred to COP17 climate change video

Company L’s respondent sounded extremely stressed out on the phone and declined to be interviewed stating the following reasons:

“Dear Nxolo

I am well thanks and hope you are too.

Nxolo, I am under tremendous work pressures @ the moment, and am also probably doing work travels, and will not be available until at best 15 November. I am so sorry, but I have to prioritise my time given I am currently working 14 hour days. Regretfully I singly cannot help, but would suggest you look @ our website www.CompanyL.com/sustainability , and look for my video on Youtube talking about why Sustainability matters to a company like **Company L**, from COP 17, if that will help. Sincere apologies, but it is not possible in the short term. Wishing you well with your studies.

Kind regards”

That speaks volumes of the employee well-being in the above organisation if the sustainability manager sounds as above. The researcher further requested to meet at least a junior member of the respondent’s team but no reply was received. All the emails are submitted as part of the evidence files for the research. The research took no offense of her misspelt first name as it happens all the time with non-Xhosa speakers. The video suggested was watched and transcribed in order to form part of the study but did not reveal much to assist with understanding sustainability performance within the company. The researcher also noted that the chairman of the board of Company L is also directly link to significant shareholding in company K that is currently battling with a massacre of 47 of its employees and a further 78 injured due to a wage dispute and refused to be interviewed for the study.

Progress on Materiality issues over the years: Company M with no Interview

Company M is in the same industry as company L above and were the only two sampled for the study as the top companies in the industry but the sustainability manager could not be reachable and arrangements made through the personal assistant did not bear much fruit. Company M falls under low environmental impact industries, also produces an integrated report but a very people focused one on both customers and employees and much less on the impact on the environment, carbon emissions and energy consumption. Nothing much could be further construed from the environmental snippets displayed in a very casual way randomly throughout the report. The awards won by the company for their sustainability efforts are the following:

- 2012/10 - Was named Highest Scoring Green Star Project 2008-12 by the Green Building Council of South Africa (GBCSA);

- Runner up Best Sustainability Reporting ACCA awards 2012

From studying the company's integrated reports, it is not easy to track down how Company L has performed over the past three year, what systems are used internal to manage and track the data recorded in the reports and whether the company's units of measurement have not changed over the years.

Chapter 6

The sole purpose of sustainability reporting is to summarise and report to the public – shareholders, financial analysts, social profit groups and consumers – about progress made in social, environmental, governance and economic performance of a company. The road to a more sustainable future is a journey; and both experts and company representatives agree that it is still early days for South African companies to have made any significant progress in their sustainability commitments and targets. This chapter discusses the finding stipulated in chapter five, and is organised according to the research questions.

Most of the companies in the sample report information about lagging (i.e. result-based) sustainability KPIs. Examples of these indicators are CO₂ emissions, total waste and energy use. These lagging indicators do not necessarily provide information or an indication of the risks and opportunities related to sustainability, nor about the process behind the sustainability performance. It is precisely this kind of information investors need to assess and integrate ESG information into their investment decisions (Mertens et al, 2012).

Although most of the companies in our sample report information about their sustainability KPIs or materiality issue most of these indicators are primarily lagging indicators, that is, result-based and a few examples of these are CO₂ emissions, total waste and energy use. These lagging indicators do not necessarily provide information or an indication of the risks and opportunities related to sustainability, nor about the process behind the sustainability

performance which is precisely this kind of information investors need to assess and integrate ESG information into their investment decisions (Mertens et al, 2012).

These lagging indicators are often seen as hygiene factors and are commonly treated with a compliance some-what, 'ticking-the-box' mentality and there still lack of clarity and a lot of confusion about the expected level of performance. It is very difficult to compare the companies amongst each other not only because they are from different sectors, but also because they all design their own internal processes and systems to collect data, measure and track performance. These systems are to a large extent based on excel spread sheet that are prone to high degrees of human error and misinterpretations.

The challenge for investors, as well as for companies, is how to communicate and interpret the information on the sustainability performance KPIs. There is an apparent need for information on key performance areas including sustainability strategy, involvement of executives and how the organisation is guided toward sustainability in terms of vision and leadership. These are important governance issues which should be transparent for external stakeholders. Next to this information on how a company addresses sustainability and long-term opportunities and risks, information on key action plans, long-term planning and time-series, is needed. Based on the interviews, we conclude that information on sustainability targets, planning and a control system on a year-to-year basis would provide valuable additional information for investors.

On the other hand, to improve internal data collection and controlling, it would be helpful if companies would report on sustainability KPIs on a quarterly basis instead of on a yearly basis. This indicates that sustainability information is part of a management accounting system and the information is available to include in management decisions.

One of the true measures of sustainability integration into the business strategies is ensuring the leadership and management team have sustainability related key performance indicators on their performance contracts. All the respondents confirmed having sustainability KPIs for all management across different teams but only one of them gave a personal and detailed experience and example of this being implemented strictly with directly internal consequences for noncompliance. Please see direct quote below:

... “and if last year I was penalised because there were fatalities in the company and that’s a decision by the group executive committee. 50% of that bonus I didn’t get because of fatalities.” (Respondent 8, 2012, p31).

Chapter 7

The third option where the industry would take initiative and define their own (industry-specific) KPIs is often regarded as the ideal option by the interviewees, yet it's also seen as somewhat unrealistic. “Ideally, industries would define their own (industry-specific) KPIs, but past experience has shown that this is often problematic,” said one interviewee. Two recent examples in somewhat related countries, Denmark and South Africa, remain inconclusive regarding what is to be preferred. Denmark recently introduced a comply-or-explain based system, whereas South Africa opted for a legal anchoring. According to an interviewee, both systems currently lead to similar results. In Sweden, it is obligated for state companies to produce a sustainability report according to the GRI guidelines.

... it should be encouraged to provide information on concrete targets, year-to-year data, comparison and developments, and information on risks and opportunities. It would also be good to include not only information on achievements and positive contributions, but also on challenges, remaining problems and negative impacts

7.1 Different definitions of performance and how it is measured

7.2 Challenges with putting monetary value on non-financial data

7.3 Reporting as a burden and nightmare

Local companies are really nervous and burden by these international reporting standards but yet aspire to them so much that they would do whatever it takes to comply with them. Investors put a lot of emphasis on the ratings received from these international agencies and guidelines and they carry a lot of weight for a company's reputation. To quote just a few of the respondents' sentiments on the reporting guidelines:

“So, and that's a continuous process. I mean, the GRI as evolved in G4 will be released next year, and **it's going to be a nightmare.** I sit on the technical

advisory committee of the GRI so I know what is coming. So it's going to hit companies hard. There's a lot more reporting requirements coming, especially in the supply chain, and that in itself is something that we understand is necessary (Respondent 8, p16).

7.4 Impact of government and other parastatals on driving sustainability performance from companies

Local municipality impact

Gold fields example from Peru

Transnet Impact:

“In South Africa. Because Transnet is failing the transport of goods on the rail more and more people put stuff on the roads” (Respondent 8, p18). The infrastructure is a key factor in the rising incidents, So we are forced to use more and more road transport.

Eskom Impact

Respondent 8 (2012, p20) responding to significant spike in energy use between 2010 and 2011 stated; “What also happened was that we for example produce energy now from the gas turbines, and everybody expected so we will shut down the coal fire power station in Sasolburg because we now replaced it with more environmentally friendly gas electricity”. However, Eskom pleaded please keep that power station running. Because we need every little bit of energy we can get. So you get a wrong picture if you just look at the graph in the report. There's much more to it (Respondent 8, 2012, p20).

7.5 The need for leaders and solution builders that think different

The point of intervention is very critical because there is a point in a human's life cycle where one cannot change their thought processes...

... "What do you need? An engineer that thinks differently. And that's where the two don't speak to each other. We invest in universities but what we should really do is to go to the likes of the University of Witwatersrand and say right, we will invest R50 million over the next three years, but we want to influence the curriculum of your engineers" (Respondent 8, 2012, p25). And that's how you create, that's part of – it makes business sense to us. So again you study through GIBS. I'm on the advisory committee at GIBS looking at all the curriculums and how we can build in sustainability in the curriculums, and one of the key things that I am very strong on, it should not be an add on. It should be integrated in each and every subject that you address (Respondent 8, 2012, p25).

It took integration of quality management more than 20 years in organisations (Respondent 8, 2012) and some of the more prudent and cautious respondents feel that is where we need to be in 15 years' more time with sustainability performance. Sustainability or integrated reports are definitely not the true reflection of sustainability performance yet both in a positive and negative way. More 50 per cent of the respondents admitted to companies not reported areas that would make them seem in a negative light by shareholders, investors and other stakeholders while about three of the 10 respondents under-reported some of their phenomenal work on sustainability performance because they were not ready

yet.

The rewards received by companies are currently playing a dual role depending on the company's own internal purpose and objectives for reporting. The companies who have aligned the essence of their brand to the "green" agenda seem to overstate the performance in their report and over emphasise their leadership role in the industry. These particular companies seem to be more on the low impact, non-extractive industries although it was surprising to observe one company within the high impact industry potential doing the same as well. For some companies, the awards serve

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7. Appendices

7.1 APPENDIX A: Sustainability Performance KPIs

Global 100 KPI	Calculation Methodology	Rationale
1. Energy productivity	The energy productivity score ranges from 0-100%. It is calculated by dividing an entity's total revenue in USD for a particular fiscal period by total direct and indirect energy (GRI: EN and EN4) consumed in GJ for the same period. An entity's energy productivity score is a function of two sub-scores: i) a group percentile score; and ii) an improvement factor score. The <i>group percentile score</i> is obtained by percentile ranking the entity's energy productivity score against that of industry group peers in the same equity index as	Energy availability and costs are one of the greatest challenges facing global corporations in the 21st Century. Rising and increasingly volatile energy costs can lead to reduced profitability, particularly in energy intensive industries and in companies with unsophisticated energy management plans.

	<p>the entity in question. The <i>improvement factor score</i> is determined by measuring the trailing two year improvement in the entity’s group percentile score. An improvement factor score of 25% is awarded if energy productivity has increased by at least 12.5% over the preceding two years. If this condition is not met, an improvement factor score of 0 is given. The final equation for an entity’s energy productivity score is represented below:</p> <p>Energy productivity score = (.75 x the group percentile score) + the improvement factor score (0 or .25)</p>	
<p>2. Greenhouse gas (GHG) productivity.</p>	<p>The GHG productivity score ranges from 0-100%. It is calculated by dividing an entity’s total revenue in USD for a particular fiscal period by total greenhouse gas emissions (GRI: EN 16) in metric tonnes of CO₂e for the same period. Using the WRI/WBCSD GHG Protocol, only Scope 1 (Direct) and Scope 2 (indirect) emissions are included. An entity’s GHG productivity score is a function of two sub-scores: i) a group percentile score; and ii) an improvement factor score. The <i>group percentile score</i> is obtained by percentile ranking the entity’s GHG productivity score against that of industry group peers in the same equity index as the entity in question. The <i>improvement</i></p>	<p>Real and implicit carbon pricing (via cap-and-trade programs and carbon tax frameworks) is on a long-term upward trend, with established regimes in Europe, Canada and Australia. The regulation of carbon can have both positive and negative effects on company profitability, depending on individual company circumstances (e.g. allocation of permits, management plan, marginal abatement cost, etc.)</p>

	<p><i>factor score</i> is determined by measuring the trailing two year improvement in the entity’s group percentile score. An improvement factor score of 25% is awarded if GHG productivity has increased by at least 12.5% over the preceding two years. If this condition is not met, an improvement factor score of 0 is given. The final equation for an entity’s GHG productivity score is represented below:</p> <p>GHG productivity score = (.75 x the group percentile score) + the improvement factor score (0 or .25)</p>	
<p>3. Water productivity</p>	<p>The water productivity score ranges from 0-100%. It is calculated by dividing an entity’s total revenue in USD for a particular fiscal period by total water withdrawn (GRI: EN8) in cubic metres for the same period. An entity’s water productivity score is a function of two sub-scores: i) a group percentile score; and ii) an improvement factor score. The <i>group percentile score</i> is obtained by percentile ranking the entity’s water productivity score against that of industry group peers in the same equity index as the entity in question. The <i>improvement factor score</i> is determined by measuring the trailing two year improvement in the entity’s group percentile score. An improvement factor score of 25% is awarded if water productivity has</p>	<p>Water is a vital yet largely underappreciated input in many industrial sectors, including Oil & Gas and Mining. Global fresh water scarcity has been identified by several international bodies as a growing threat to peace and prosperity in certain regions. Interruption of water supply can lead to lowered production, with negative effects on long term competitiveness.</p>

	<p>increased by at least 12.5% over the preceding two years. If this condition is not met, an improvement factor score of 0 is given. The final equation for an entity's water productivity score is represented below:</p> <p>Water productivity score = (.75 x the group percentile score) + the improvement factor score (0 or .25)</p>	
<p>4. Waste productivity</p>	<p>The waste productivity score ranges from 0-100%. It is calculated by dividing an entity's total revenue in USD for a particular fiscal period by total waste generated (GRI: EN22) in metric tonnes for the same period. An entity's waste productivity score is a function of two sub-scores: i) a group percentile score; and ii) an improvement factor score. The <i>group percentile score</i> is obtained by percentile ranking the entity's waste productivity score against that of industry group peers in the same equity index as the entity in question. The <i>improvement factor score</i> is determined by measuring the trailing two year improvement in the entity's group percentile score. An improvement factor score of 25% is awarded if waste productivity has increased by at least 12.5% over the preceding two years. If this condition is not met, an improvement factor score of 0 is given. The final equation for an entity's waste productivity score is</p>	<p>Above average waste productivity indicates more efficient processes and lower disposal costs.</p>

	<p>represented below:</p> <p>Waste productivity score = (.75 x the group percentile score) + the improvement factor score (0 or .25)</p>	
5. Innovation Capacity	<p>The Innovation Capacity score ranges from 0-100%. It represents the ratio of 3-year average R&D expenditures to 3-year average total revenue.</p>	<p>Companies at the forefront of innovation are better positioned to capture emerging market opportunities and to control risk. This metric is a particularly revealing financial indicator in knowledge and science based industries, including Pharmaceuticals and Technology.</p>
6. % Taxes Paid	<p>The % Taxes Paid score ranges from 0-100%. It is the percentage of taxes paid in cash (trailing four year average) to the amount of taxes owed at statutory rates (trailing four year average) in USD.</p> <p>Companies score a 0% in the event that their statutory tax amount (trailing four year average) or taxes paid in cash (four year average) is zero or lower.</p> <p>Companies score a 100% in cases where the amount of taxes paid in cash is greater than the amount of tax owed at statutory rates.</p>	<p>In the current era of large government deficits and austerity measures, tax authorities are clamping down on legal tax loopholes and other vehicles that permit tax minimization. Against this backdrop, determining which companies pay substantially lower cash tax as a per cent of their reported statutory tax rate relative to their industry peers provides insight into a host of risk factors that could impact future cash flows.</p>
7. CEO to Average Employee Pay	<p>The CEO to Average Employee Pay score ranges from 0-100%. It is the ratio of CEO compensation for a particular year in USD divided by the average employee compensation in USD over the same time period. Average employee compensation is calculated by dividing the company's total wage bill for a</p>	<p>A disproportionate share of compensation expenditure going to one person can lead to lower overall workforce motivation, and can also be indicative of potential governance risks, or misalignments of interests.</p>

	<p>particular year divided by the total number of employees over the same period. The CEO to Average Employee Pay score is obtained by percentile ranking a company's ratio against that of every company in the equity index under consideration irrespective of industry group. The higher the ratio, the lower the pay equity score.</p>	
<p>8. Safety Productivity</p>	<p>The Safety Productivity score ranges from 0-100%. It is calculated by dividing an entity's total revenue in USD for a particular fiscal period by the total number of fatalities (multiplied by \$1,000,000 USD) and by the total number of lost time injuries (multiplied by \$1,000 USD) for the same period. An entity's safety productivity score is a function of two sub-scores: i) a group percentile score; and ii) an improvement factor score. The <i>group percentile score</i> is obtained by percentile ranking the entity's safety productivity score against that of industry group peers in the same equity index as the entity in question. The <i>improvement factor score</i> is determined by measuring the trailing two year improvement in the entity's group percentile score. An improvement factor score of 25% is awarded if safety productivity has increased by at least 12.5% over the preceding two years. If this condition is not met, an improvement factor score of</p>	<p>The BP Gulf incident (Deepwater Horizon Oil Spill) in 2010 brought safety to the forefront as a core factor in corporate valuations and competitiveness.</p>

	<p>0 is given. The final equation for an entity's safety productivity score is represented below:</p> <p>Safety productivity score = (.75 x the group percentile score) + the improvement factor score (0 or .25)</p>	
9. Employee Turnover	<p>The employee turnover score ranges from 0-100%. A company's employee turnover score is obtained by percentile ranking its retention rate (defined as 1 - employee turnover rate) against that of all companies, irrespective of industry group, that trade in the entity's equity index.</p>	<p>Low employee turnover is positively associated with employee morale and productivity, efficient preservation of human capital and reduced transactions costs.</p>
10. Leadership Diversity	<p>The Board Diversity score ranges from 0-100%. It is calculated as the percentage of women on the entity's board of directors multiplied by two, up to a maximum of 100%.</p>	<p>An emerging body of research suggests that companies with more diverse boards, especially with respect to gender, have higher performance on key financial metrics such as Return on Equity, Return on Sales and Return on Invested Capital. CalPERS, the largest pension fund in the U.S., calls it the Diversity Return on Investment (DROI).</p>
11. Clean Capitalism Paylink	<p>The Clean Capitalism Paylink score ranges from 0-100%. It is designed to award companies that have set up mechanisms to link the remuneration of senior executives with the achievement of clean capitalism goals or targets. A score of 100% is given to companies that describe such a mechanism in detail (e.g. the company specifies the proportion of a</p>	<p>Evidence of sustained management focus on clean capitalism business drivers can be found in mechanisms that link the remuneration of senior executives with the achievement of clean capitalism goals and targets.</p>

	<p>particular named executive's compensation that is linked to the achievement of certain clean capitalism performance targets). A score of 50% is given to companies that provide a high level description of such a mechanism (e.g. the company mentions the existence of a link between executive compensation and the achievement of certain clean-capitalism performance targets without specifying the proportion that is linked, the nature of the link, etc.). A score of 0% is given to companies that do not report any linking mechanisms.</p>	
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7.2 APPENDIX B: Interview guidelines

Guiding questions for the in depth Interviews expected to be reviewed post desk top analysis of company sustainability reports.

1. When did the company start producing a sustainability report?
2. What influenced the decision to produce a sustainability report?
3. How did the company establish what is material for the company to report on?
4. Has the company measured its carbon foot print?
5. When was carbon footprint measured?
 - a. Before or after the first sustainability reporting?
 - b. If after the sustainability report, how many years after?
6. Does the company have specific targets to reduce its carbon footprint and overall negative impact on the environment?
7. When were the targets established?
8. How has the company performed against its targets in the past three years?
9. How does the company measure its performance against its targets?
10. Are the results verified by external parties?

11. Has the companies used the same units of measurement consistently in the past three years?
12. Has the companies had to delay a profitable growth decision because it was not sustainable?
 - a. How was this received by shareholders?
 - b. What were the subsequent outcomes?
13. What do you regard as the challenges with respect to your company's sustainability performance?
14. In your opinion, do you think that the sustainability report is a fair reflection of your company's actual performance? Please explain or elaborate.
15. In your opinion, what can be done to improve your company's performance?

7.3 Appendix C: Letter of Consent for respondents

TOPIC:- Sustainability reporting as a reflection of sustainability performance.

Student Number: 28529643

Consent letter

Name: Noxolo P. Mbana
20/07/2012

Dear Respondent [the relevant respondent's name will be inserted]

I am a final year MBA student at the Gordon Institute of Business Science (GIBS), University of Pretoria. I am currently conducting a research project titled “Sustainability reporting as a reflection of sustainability performance”, supervised by Leona Craffet. The objective of the study is to seek understanding whether companies’ reporting on sustainability reflects their sustainable performance over the years. Your organisation was selected to participate in the study because it is one of the top GRI reporters on the JSE and has been recommended by sustainability experts for its sustainability reporting practices in the past three years and therefore falls within the sample selected for my study. In order to complete this study, I need to conduct semi-structured, in-depth interviews of approximately 30 to 45 minutes with you as the Head of Sustainability in your organisation. Please note that:

- Any information obtained from interview will be used exclusively for the purposes of the research.

- All information will be treated with strict confidentiality and your name will not be reflected in the study.
- You are under no financial obligation or commitment.
- Interviews are open-ended and will be tape recorded with your permission.
- No company names will be revealed in the final research report.

A summary of the research findings will be made available to you on request.

Participants can withdraw at any time during the study without any penalty.

I would like to thank you advance for choosing to participate in my research study.

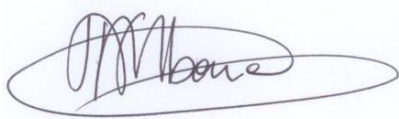
Should you wish to contact the researcher, you may do so at the following address:

Email: NMbana@gmail.com

Mobile: 083 474 1142

Kind Regards

Noxolo Mbana



Organisation details

Name of Organisation:

I wish to participate in this interview (mark with X): Yes No

Section 1: Background information

- Job title/ designation?
- Role in Sustainability?

Participant Signature:- _____

7.4 APPENDIX D: Consistency Matrix

Propositions/ Questions/ Hypothesis	Literature Review	Data Collection Tool	Analysis
Is good reporting a reflection of good performance?	Elkington, 2010 Freemantle, 2010 Epstein and Roy, 2001	Desktop Review of reports	Evidence on reports over 3 years showing changes in performance due to reporting as per GRI guidelines.
How do companies rank their own sustainability performance?	Ketola, Tarja. 2010	In-depth interviews	Insights from company custodians