

**A FRAMEWORK FOR REPORTING
SUSTAINABILITY PERFORMANCE TO
MAJOR STAKEHOLDER GROUPS**

By

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I declare that **“A Framework for reporting sustainability performance to major stakeholder groups.”** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

Signature
(Mr JA Naudé)

DATE

This thesis is dedicated to
the late Herman le Roux who introduced me to the subject of
Sustainability Reporting
and
my wife, Katy, for her support and the sacrifices she made to
allow me to complete this study.

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Abstract

Purpose:

The focus of this thesis was to develop a simplified framework for future sustainability reports. The traditional approach to corporate reporting is limited in its ability to meet expectations of stakeholders for what drives value creation in a business.

Sustainability performance reports are aimed at providing stakeholders information regarding a company's non-financial performance and to provide stakeholders some information regarding the future performance that can be expected.

The idea behind sustainability and the triple bottom line is that a company's ultimate success can and should be measured not just by the financial bottom line, but also by its social, environmental and economic success. Sustainability reporting, also known as triple bottom line reporting incorporates the economic, social and environmental performance of a company, but there is no universally accepted definition of the subject. Sustainability is a contested subject and defined differently by different groups to suit their purposes. This places the phenomenon in a situation where its future is threatened.

Design/ Methodology/Approach

The concept under investigation is new and little research has been done on it. This justified a mixed method approach to the research. The research was conducted in three phases. The first phase was to ascertain the current state of affairs in terms of sustainability reporting both locally and internationally. This phase has been addressed qualitatively by means of a content analysis of existing reports. The second phase involved determining the perceptions of listed companies in South Africa who have already submitted reports of this nature regarding the nature of and extent to which sustainability performance should be reported. This phase was addressed quantitatively by means of a cross-sectional survey of a very small population. The third phase involved a synthesis of the results of both phase 1 and 2 into a document providing guidelines for reporting of sustainability performance by companies in South Africa.

Findings

The theory of the triple bottom line was effectively used to form an appropriate structure for the early and introductory phases of sustainability performance reporting. This structure is limited as it encourages companies to manage and report

on its external impact in the areas of the economical, social and environmental. In order to encourage more companies to issue sustainability performance reports, simplified guidelines are required. These guidelines should acknowledge the fact that a company needs to be sustainable in the first instance before it can meaningfully contribute to the environment that surrounds it. Future frameworks therefore, need to encourage companies to report on internal as well as external sustainability performance. The main focus of future Sustainability Reporting Guidelines should be that it is less prescriptive and allow companies to report about the internal sustainability of the company as well as its impacts and contribution to its external communities and environment.

Originality/Values

Although sustainability reporting is a relatively new phenomenon, it is safe to assume that this form of reporting will increase in the future. The future of sustainability reporting depends on the confidence of companies to issue meaningful reports. This thesis, as far as can be established, is the first structured academic analysis of the existing and desired future content of Sustainability reports. The framework that has been developed as a result of this study will simplify reporting and encourage companies that wish to report. The framework will also enable companies to include sustainability into their strategic plans.

Keywords

Sustainability reporting, triple bottom line, non-financial reporting, corporate responsibility, stakeholder information requirements, stakeholders.

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Chapter 1

1 Introduction and Background

1.1 Background

The focus of this thesis was to develop a simplified framework for future sustainability reports. The traditional approach to corporate reporting is limited in its ability to meet expectations of stakeholders for what drives value creation in a business. This study concludes with a simplified framework that will assist reporting companies to improve their Sustainability reports.

It is argued that communicating effectively with stakeholders on progress towards economic prosperity, environmental quality and social justice i.e. the triple bottom line will become a defining characteristic of corporate responsibility in the 21st century (Wheeler and Elkington, 2001: Massie, 2001: White, 2002: McCuaig, 2006).

Traditional financial reports, as they currently stand, report upon the past performance of the company, but stakeholders have a need to know about the company's future prospects. But does a company report on its ability to innovate, train and develop its human capital, enhance its brand and reputation, strengthen its brands and develop its customer base? (White, 2002:14).

The privacy and secrecy prevalent through the early history of the modern corporation have been abandoned as companies around the world have come to realize that towards the end of the twentieth century there has been an explosion in public share ownership which resulted that many large companies now have "a million owners" that all have different requirements of the company they invested in. Companies cannot afford to ignore the different information needs of the different stakeholder groups. The needs now far exceed the financial performance report that was focused on the past, to more future orientated information which will assist stakeholders in their decisions regarding their relationships with companies (Kaplan and Norton, 1996: Beatty, 2002: Tschopp, 2003: Norman and Macdonald, 2004).

In addition to the change in information requirements, the demise of a number of large companies around the world during the last decade has resulted in an increased level of scrutiny from stakeholders. The unexpected fall of some large companies brought the realization that a company's success or health cannot be measured by the traditional financial performance alone, but that a company's

social/ethical and environmental performance also played a part (Jayne, 2002: Norman and MacDonald, 2004: Milne, 2004: Robins, 2006). “All stakeholders have a need for economic prosperity with the assurance of environmental protection and quality of life for current and future generations” (Placet, Anderson and Fowler, 2005: 32).

The annual corporate report has always been the primary means whereby the company provides details of corporate performance to its stakeholders. Traditionally, and in line with statutory requirements, the focus of these reports were to provide financial information to the financial and investment community. Due to the restraints placed by the statutory requirements, the main focus in companies was aimed at meeting the prescribed requirements, without consideration of the requirements of the various stakeholder groups. At the same time, corporate reporting reflected past performance and compared past performance to achievements even further back in history. There was no consideration for sharing any information about possible future plans or even future risk with any stakeholders. “This retrospective approach to reporting left a gap between stakeholder’s information requirements and information that is actually made available to them by companies” (Everingham and Kana, 2004: 1).

Wayne Upton (2001) argues that the economy of 2000 and beyond is significantly different from the economy of 1950 and before and in this context, traditional financial statements do not capture- and may not be able to capture- the value drivers that dominate the new economy (Upton, 2001: 1). The contribution to a company’s value that is now made by intangible assets is significant. The traditional valuation of a company’s accounting book value is different from the actual market capitalization. Many accountants claim that the difference can be attributed to the value of intangibles. In addition to this, users value disclosure of non-financial information.

There is also proof that mainstream financial analysts also value information of a non-financial nature to assist them in evaluating a firm. “The nature of the non-financial information includes issues like the quality of management, the strategy of a company, a company’s potential to innovate or the retention of qualified personnel” (Hummels and Wood, 2005: 1). Although these issues are not easily quantifiable in financial terms, they do have an impact on the future performance of the company. Hummels and Wood (2005) have determined, in their research, that financial analysts do not pay much attention to the social, ethical governance and

environmental performance of the company. They do argue however, that they have found that financial analysts do include these issues in their desk research and view these issues as a subset of the extra financial and non-financial information that is considered when analysing a company. The financial analyst represents only one stakeholder group of a company. This group is important, but the needs of a number of other stakeholder groups have to be considered as well.

The other stakeholders have become more demanding about their information needs. Their needs are different to those of the financial analysts, but they are becoming increasingly important. Defining a company's goal as shareholder approval may also not be in the company's best interests and shareholders come and go and shareholders are concerned about what happens to their stock only as long as they hold it. "The nature of the modern stakeholder is a temporary one and for that reason, Chief Executive Officers need to concern themselves with creating sustainable economic value" (Porter, Lorsch and Nohria: 2004: 70). The relationships that these other stakeholders have with a company are different and in most cases longer than that of most shareholders, which results in reporting requirements that go beyond just financial performance.

The changes in stakeholder requirements and the events of company failures during the last two decades raised questions regarding the topics that should be included in company disclosures that add to the traditional financial report and that would meet the requirements of the various stakeholder groups. These topics include questions about a number of non-financial issues. This included issues that are internal to the company like governance structures, risk management, management stability and succession and customer retention, to name but a few. There are also other issues that are external to the company that impact on the company's ability to perform and achieve its objectives like the protection of the environment and social upliftment.

The important question that needs to be answered relates to those issues that have an impact on the company's ability to perform and that the stakeholders would like to know about in order to take more informed decisions about their relationship with the company. Some consultants have not been able to find the answers, but have seen a business opportunity and decided to cash in on this. Those institutions that decided to commercialise the topic started developing guidelines that were recommended to companies across the globe. The result has been that more and more confusion around the topic of non-financial performance reporting has led to a situation where

companies have been experimenting with new ways of reporting to their stakeholders with mixed success.

Companies started to realize that investors are not solely interested in financial performance. Company greed and exploitation have created a renewed interest in compassion and sustainability. This is where triple bottom line reporting comes in. Stakeholders want to know more about the company's progress toward economic prosperity, environmental quality and social justice. Certain authors argue that the triple bottom line encourages business to give a full account of the whole impact of their commercial activities rather than just financial performance (Wheeler and Elkington, 2001; Tschopp, 2003; Schafer, 2005; Robins, 2006).

During the second half of the previous century, a shift in the purpose of business can also be detected. The view expressed by Milton Friedman in 1970 stated that "*the purpose of business is business and the sole responsibility of the company is to maximise profit for its shareholders*". Over time this view has developed to a new one that is well summarized by Glenn Cheney (2004) who states that: "*Business serves different purposes in the economy. One is to generate profit for investors. Corporates have far broader impacts on the economy and the society that it sustains*" (Cheney, 2004: 12).

The attitudes and actions of businesses-regardless of size, sector or region- show that businesses play a wide-ranging role in our society, most are motivated to be good corporate citizens by both their values and bottom line results. Many executives see that businesses generally and their company specifically, should help strengthen communities because the health of society and businesses are inextricably linked (The Center for Corporate Citizenship at Boston College, (2005). The need for the development of a sustainable global economy that the planet is capable of supporting is viewed as a challenge for all companies around the globe as the responsibility for ensuring a sustainable world falls mainly on the shoulders of enterprises (Brundlandt, 1987; Hart, 1997).

The Oxford dictionary defines a phenomenon as "A thing that appears, or is perceived or observed; applied chiefly to a fact or occurrence, the cause of which is in question". The phenomenon is sustainability reports. These reports have been issued by a large number of companies over the last number of years, yet in many cases, the reasons for issuing the reports and the purpose of the reports are vague.

Executives of leading companies have realised that change is needed and have started to change the way that they report to stakeholders. These reports resulted from pressure created by stakeholders and non-government organisations (NGO's) after the publication of a number of books and guidelines on the subject of Sustainable Development and the Triple Bottom Line (TBL) and various guidelines that were developed by a number of organisations. The subject of sustainability and TBL has received an enormous amount of publicity over the last few years, which reflects so many different views and definitions resulting in increasing the confusion around the subject.

Some companies have used sustainability reporting guidelines that were issued by different organisations in different ways. Some used the guidelines as a template and others used the guidelines purely as a source of inspiration (Hedberg and von Malmberg, 2003). This approach resulted in a situation where reports could not be compared in terms of performance as the way that guidelines were used and the selected topics included in reports differed. The reports were of different standards despite the fact that companies used the same guidelines.

The question that needs to be answered relates to the information that companies should include in their annual reports that is additional to the information that is regulated by securities exchanges and financial standards. The question is: "What should companies include in their reports?" This relates to non-financial performance information or information that can impact on the company's ability to meet its obligations to the different stakeholder groups.

Companies have to accept that the sustainability of the firm and the environment in which it operates is becoming an increasingly important issue to consider in meeting their objectives. National governments also have their agendas and the protection of the planet and its people are agenda items that no one can ignore in the twenty first century. As the topic is of importance to all, a simplified understanding of what should be included in reports can assist companies to overcome their fears of what is seen as a daunting task.

This study has investigated the subject of sustainability reporting with the objective to develop a simplified sustainability reporting framework that companies will be able to use. A further aim was to develop a framework that has an African and Developing

country character. Plans will be formulated to institutionalise the framework in South Africa in the leading Management Consultancy firms and Academic institutions.

In the next paragraph, the research problem is stated. The relatively new approach to reporting has many facets that are still unclear. Confusion also exists regarding the company's role in sustainable development. Many executives view the issue as external to the firm and their role as minor with the responsibility placed on government.

1.2 Research Problem

Companies are now living with a level of scrutiny that most of them could not have imagined at the start of the new millennium (Coombes, 2004). Corporate greed and exploitation have created a renewed interest in compassion and sustainability. This is where triple bottom line or sustainability reporting can be used to communicate with stakeholders in a way that can result in stakeholder's confidence in the firm (Tschopp, 2003: 11; Piechoki, 2004; Staubus, 2005). Traditional annual reporting and the topics included for disclosure do not meet the requirements of the stakeholders of the company (Everingham and Kana, 2004). There is a move away from the traditional reports to reports that do not exclusively report on economic performance, to an integrated report in which performances with respect to the natural environment and society are outlined (Daub and Karlsson, 2004; McCuaig, 2006).

The Brundlandt Report (1987), was the first to convince business and political leaders about the threats faced by the planet in terms of the environment and socially. The Chairman of the committee that compiled the report, Gro Harlem Brundlandt (1987), argued that economic growth could contribute to the protection of the planet as money was needed to protect it. The Brundlandt Report (1987) acknowledged that economic growth was needed to enable the protection of the planet and its people.

The concepts that were included in the Brundlandt Report (1987) were popularized by John Elkington in 1998 in his book "Cannibals with Forks" when he defined the Triple Bottom Line. Early definitions of the Triple Bottom Line express an environmental bias rather than a balance between the economic, social and environment. It must be borne in mind that the Brundlandt Report was tabled almost

20 years ago and Elkington's theory 10 years ago. In to-days age, both happened a long time ago and many priorities have changed since that date

The World Business Council for Sustainable Development (WBCSD) (2002), defined "sustainable development reports as public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions" (WBCSD, 2002: 7). Sustainability means that the three dimensions are interdependent and must be considered as one entity. Each dimension does not exist on its own; consequently altering one of the three will ultimately affect the others (Daub and Karlsson, 2004). Placet et al (2005), contribute to this view when they argue that sustainable development has three goals: environmental stewardship, social responsibility and economic prosperity. They express the view that in a successful company, these three goals will be inter-related and supportive of each other. Daub (2004), continues with the argument that if a firm has adopted the sustainability approach and works actively towards it, the work must be documented and reported in order to create added value and transparency. To be precise, in order for companies to become credible, they must voluntarily seek to report and communicate their sustainability performance.

Company Executives realize that more information regarding future plans and other value drivers will enable stakeholders to make more informed decisions regarding their relationship with the company. Most company executives also realize that the purpose of business has changed, but the annual reports have not reflected this. Executives also realize that their general disclosure of company performance information has not taken the changed requirements of their stakeholders into account.

The demise of large companies like Enron, Worldcom, Parmalat and South Africa's Leisurennet, Saambou and others have illustrated the need for improved control and disclosure by companies. These events have received the attention of auditing firms as well as accounting standards bodies. The debate lay between the need of improved governance and more disclosure. Whether these topics were related or not, were, and will remain topical in the business environment.

As far as can be established, the subject relating to the content of sustainability reporting has not been researched in a formal structured manner. A number of institutions have attempted to develop guidelines that reporting companies can

follow, but the guidelines have exacerbated the confusion because the subject is interpreted in a number of different ways. This ambiguity has resulted in the quality of reports being poor and often damaging to the image of companies.

The confusion regarding the subject of sustainability is not only caused by the conflicting guidelines that exist, but also the publications that appear in financial magazines and academic publications. In addition to the factors mentioned, consultants that have entered the field also have little understanding. This situation is aggravated by the indices that different securities exchanges around the world develop to encourage investment in so-called sustainable companies. The business problem that currently exists is that more and more companies are issuing sustainability reports yet most sustainability reports fall short of stakeholder expectations with the resulting negative impact on company credibility (Olsen, 2004; Porritt, 2005).

The research problem can be summarized as follows:

The content of existing sustainability reports do not meet the requirements of the company's different stakeholder groups as Executive Management is confused by the large number of performance indicators that are recommended by different sustainability consultants and institutions. The confusion caused by the large number of performance indicators is exacerbated by the level of detail recommended for each indicator. In addition, the effect of the reports is impacted negatively by the fact that sustainability issues appear not to be linked to the company's long term strategy and often disclose only the external impacts of the company and provide little information about the sustainability of the company itself.

There is thus a gap in the literature on how to construct a feasible sustainability report for businesses in South Africa and elsewhere.

- The first sub-problem.

Currently the guidelines used by reporting companies are too many of which many are irrelevant to the sustainability of the company or its contribution to the development of its operating environment hence this study is aimed to find the optimum number of relevant indicators.

- The second sub-problem.
The current approach to sustainability reporting is too limited, too defensive and essentially disconnected from corporate strategy. The aim of this study is to simplify the guidelines for sustainability so that it can be incorporated into company strategies.
- The third sub-problem.
Business provides huge and critical contributions to modern society but these are insufficiently articulated, acknowledged or understood. This study aims to develop simplified guidelines that will allow an amount of flexibility will enable companies to communicate such contributions more effectively.
- The fourth sub-problem.
Boards of Directors are not educated on the sustainability issues and often these issues are left to the public or corporate affairs departments. The aim of this study is to reduce the resistance to sustainability reporting by developing guidelines that will allow sustainability reporting to develop as financial reporting has developed over the last century.
- The fifth sub-problem
National agenda items are not included in the sustainability agenda. By including this into a new framework, company Executives will again realize that the company remains the most powerful institution on the planet and that its contribution can contribute to the achievement of national goals.

In view of the above, the study aims to develop a simplified framework that can encourage companies to issue sustainability reports that will provide all the different stakeholder groups with information about the company's long term sustainability and that enhance the company's credibility. The study further aims to identify the topics that companies regard as important sustainability performance areas that should be communicated to stakeholders. The study attempts to determine the preferred performance areas from the company perspective. As background to the study, the researcher identified the different issues that impact on the quality of reports issued by companies. These issues also have an impact upon the willingness of companies that intend reporting on their sustainability. The study will not look at stakeholder needs, but will focus on the topics that Management of companies deem important to include in sustainability reports.

The traditional annual financial reports favour the requirements of financial markets and shareholders, but company success does not depend upon the support of shareholders only. Every stakeholder group has a different relationship with the company and in turn develops a different expectation and perception about the company. Existing sustainability reports reflect an ignorance of the needs of the different stakeholder groups and a slavish following of guidelines.

For sustainability reports to become meaningful across a broad front, the understanding about sustainability as a company strategy and communication strategy needs to improve. The development of simplified reporting guidelines can contribute to this much needed improvement.

The current state of sustainability reporting is one of creative chaos. The fact that the structure and content is not prescribed in any way results in a situation where the market is the judge of the quality and level of transparency. This state has resulted in a situation where reports are poor and very often reflect negatively on the credibility and reputation of the company. For the reasons stated above, this is an important study that can make a large contribution to the quality of reports issued, which in turn will impact positively on the credibility of reporting companies.

The next paragraph elaborates on the purpose of the study.

1.3 Purpose of the Study

Porrit (2005) conducted a study among Australian consumers and found that consumers who see a company as achieving high Bottom Line Reputation at the expense of other stakeholders are hostile to the company. On the other hand, consumers who see a company as achieving a high bottom line reputation while delivering outcomes to other stakeholders are particularly favorable towards the company. Corporate reporting is in a state of evolution (Everingham and Kana, 2004). Pressure is growing from all stakeholder groups for more transparency in the company's disclosure. Different stakeholders have different information needs and most companies have little understanding of the differing reporting needs of different stakeholder groups.

The concept of a stakeholder has become widely used as a tool for strategic management: if you want to be an effective manager then you must take stakeholders-as well as stockholders- into account (Langtry, 1994). This argument constitutes a whole stakeholder approach to corporate strategy. Freeman (1984), was the pioneer of the stakeholders approach to business and offered an account of the nature and purpose of the firm and of the moral claims which it is subjected to. The arguments contribute to a view that without the continuing support of all stakeholders, the firm will not be able to continue as a going concern (Alexander and Miesing, 2004).

The change from retrospective, purely financial reporting to a more transparent and forward focused reporting, started after John Elkington first addressed the subject in his book "Cannibals with Forks" in 1995. Elkington created a world-wide interest in the subject of triple bottom line/sustainability reporting and in South Africa this was confirmed by the King II report in 2002.

The King II Report (2002: 129) recommends that companies should report on its social, transformation, ethical, safety, health and environmental policies and practices. The report adds that South African companies should also report on their HIV and Aids strategies and black economic empowerment procurement policies. The King II Report does not prescribe any specific format for the reports but recommends that companies draw on available guidance material including industry codes of practice (King II Report 2002: 107). The fact that an authoritative report like the King II report encourages companies to issue reports regarding other practices and policies contributes to the escalation in the importance of the subject.

The information that is available at time of this thesis, August 2008, indicates that the King 3 report will be redrafted to incorporate the changes of the new Companies Act (Shara Naidoo, 2007). Wannenburg (June 2008), warns that companies will be required to care less about profits and more about people and global warming. Indications are that King 3 will increase the number of non-financial performance areas that companies will have to include in their reports to stakeholders.

The triple bottom line concept was developed in 1994 and had the purpose of shaping and driving the field of corporate strategy, management, reporting and assurance (Elkington, Emerson and Beloe, 2006:7). The triple bottom line concept focused on value created-or destroyed- in relation to the economy, society and the

environment. Subsequent to the development of the concept of the triple bottom line, its actual purpose had unintended consequences which affected the quality of implementation by various companies. The concept was complicated by a number of institutions for example the Global Reporting Initiative (GRI, 2002) that recommend a large number of key issues and performance indicators that should be included in reporting. The growing complexity of the triple bottom line is resulting in changes “being bolted on rather than integrated into the DNA of the company” (Elkington, Emerson and Beloe, 2006: 8).

Various institutions have developed guidelines for reporting on the non-financial performance of the company, but until now it has been voluntary. No controlling body or government has prescribed anything in relation to sustainability reporting. The most popular and most often used guidelines have been those issued by the Global Reporting Initiative (GRI, 2002).

The GRI guidelines recommend 92 different performance indicators as well as guidance on the overall structure of reports. Although many companies report that these or other guidelines are being used for their reports, all the indicators are very seldom used. The guidelines attempt to address the requirements of stakeholders across the globe which appears to attend to the needs of stakeholders in developed as well as developing countries. This approach complicates matters and is viewed as limitations as stakeholders in different countries have different needs and countries have different priorities. Topics specific to a specific country or issues that are included in the national agenda of a country are excluded from global guidelines.

Confusion exists around the most appropriate content of a sustainability report which has a negative impact on the quality of reports issued by leading companies. This confusion provides no guarantee that companies will continue to issue sustainability reports or that companies that have not yet issued sustainability reports will consider that in the future. In order for sustainability reporting to continue, a number of issues need to be clearly defined. The main purpose of this study was to determine the performance areas that companies view as important to all stakeholder groups and to develop a framework for reporting on the sustainability performance of the company. Through this study the researcher determined the performance areas that are viewed by companies as important to communicate to stakeholders. It does not look at the topics that stakeholders would like to include in sustainability reports and this is an

area that should be researched in the future. In the process of determining a new framework, the researcher also investigated the following:

1. The opinions held by the Chief Executive Officers, Chief Financial Officers and Sustainability Executives in companies regarding sustainability reporting.
2. The views of Chief Executive Officers, Chief Financial Officers and Sustainability Executives regarding the importance of sustainability reporting
3. The performance areas most frequently reported upon in sustainability reports and,
4. The performance areas that company executives view as most important to include in future sustainability reports.

In summary, the purpose of the research was to establish the performance areas that companies view as important to communicate to their stakeholders. This allowed the researcher to develop a simplified sustainability/triple bottom line reporting framework that will simplify the compilation of sustainability reports.

The concept of sustainability reporting is still new and most companies have not yet issued a sustainability report. Some may have issued their first report, or in exceptional cases, companies may be in the process of issuing their second or third reports. In most cases, companies have not yet found the best way to present their reports. Research in the area has also been limited. In order to understand the context of the research, previous research relating to the topic has to be evaluated. The next paragraph defines the context of the research.

1.4 The Context of the Research

In this paragraph the researcher investigated previous studies that have been conducted into the concept of sustainability reporting. This allowed the researcher to position this study in terms of the gap that needs to be filled.

Results from the searches conducted into studies that have been completed on the subject of Sustainability Reporting, indicate that research at doctoral level has to date not been conducted into the content that is included or that should be included in sustainability/triple bottom line reports. This search was repeated at the time of this

study, but as far as can be established, no research at doctoral level has yet been conducted. Most of the more recent research revolves around issues concerned with the promotion of corporate social investment and the reason for being a good corporate citizen.

Some of the completed research warrants mentioning, as some of the findings are significant in terms of the broader subject of sustainable development. The International research will be quoted from the abstracts of the research as it would delay the completion of the study considerably if one requested an actual copy of the thesis. The Unisa library indicates that it could take up to six months to receive a thesis from an overseas source.

Gisele Jackson (1995) in her PHD thesis titled: "An examination of investor evaluation of corporate social performance", found that the most important criterion to participants was environment, followed by products and services, fair business practices and human resources. The least important was community involvement. It is important to note that the thesis was completed in 1995 and the subject has developed considerably over the last 10 years. The acceptance of the principles of sustainability has brought about a more balanced approach than was the case in 1995.

Ruiters, Joseph S (1999) in his MBA dissertation: "Are profits the only criteria to measure business success?" states that the way that business success is being measured is now harshly challenged in some circles. The conclusion from his research can be summarised as follows: "corporations must be seen as products of society and by looking after the interests of society will have a positive effect on financial performance of corporations". The difficulty with the findings is that it appears that the candidate argues that looking after interests of society is a pre-requisite for profit. This study will investigate this matter in the literature, as well as in the qualitative and quantitative research.

Jean Myburgh (2001) in her D.Comm. thesis with the title "The extent of voluntary disclosure in corporate reports of South African listed industrial companies" came to the conclusion that it may be necessary for companies to publish separate reports to avoid financial overload disclosure in the future. Although this study was completed at the start of the era of sustainability reporting, the researcher's main finding was that most annual reports disclose the effects of past performance and few disclose

additional voluntary information that is future-orientated. The researcher also commented about the fact that some types of assets were becoming more important than the traditional tangible assets, yet companies were uncertain about the way that this had to be accounted for and also reported. No solution was offered for the way that intangible assets should be reported. The study elaborated on the issue of financial information overload and concluded that electronic data will become the primary source of company information in the future. The recommendation for future research included topics like environmental conservation and intangible assets (Myburgh, 2001: 246).

Susan Marcus (2004) in her PHD thesis with the title: "Strategic decision-making in organisations that value financial, social, and environmental sustainability", comes to the conclusion that companies that carefully manage the resources of risk, social responsibility and, more recently, sustainability, enjoy considerable business success over those companies that don't.

Melvin Wilson (2004) in his PHD thesis with the title: "Independent assurance on corporate sustainability reports", examined the practice of providing independent assurance on corporate sustainability reports. He found that providing independent assurance on reports is rapidly evolving. The final finding was that the principles and processes traditionally associated with financial assurance can generally apply to assurance on corporate sustainability reports.

Earlier studies in the field of sustainability focused on the environmental sustainability agenda. The literature reviewed also confirms this as most of the environmental issues were legislated by government controlling bodies. Later studies addressed the issues related to the social side of the equation. The subject of non-financial or sustainability/triple bottom reporting was only found in limited studies, but mostly in terms of assurance and investor reactions.

Researchers have avoided research into the actual and desired content of sustainability reports, which is one of the main reasons why this study was completed. This is the core of the matter and has an effect on the future of this practice. The student is of the opinion that the issuing of sustainability reports will increase in popularity, as it is a method whereby the company can inform all its stakeholders about those issues that they deem important for them to be able to judge performance in the areas that affect them. The success of sustainability

reporting as a practice for business will be largely determined by the appropriateness of the content of the report. This study will lead the way in terms of developing a framework that will include guidance on the generic performance areas that all stakeholders would like to know more about. The study will look at this from the company's viewpoint. This framework must be viewed as a next phase in the development of sustainability reporting. The development towards a more appropriate and comprehensive sustainability report remains an area that is not well defined and often ambiguous and for that reason justifies some focused research.

The context of this study is clearly the core of sustainability reporting. Other previous studies have investigated important issues relative to the concept, but the content topic has not been researched in any formal manner.

1.5 Reasons for Research

Corporate reporting until very recently has been focused mainly towards providing the shareholders of the company details of past performance. In South Africa the reporting format has been greatly prescribed by The Companies Act, 1973; Statements of Generally accepted Accounting Practice (GAAP), Statements and Interpretations issued by the International Accounting Standards Board (IASB); JSE Securities Exchange Listing Requirements (Listed Companies only); and more recently, the King Report on Corporate Governance (2002). The driving force behind the traditional reporting standards has been that the published statements should reflect a "fair presentation of the state of affairs" within the company."

Considering that corporate reporting is the primary means whereby the company provides details of corporate performance to its stakeholders, it's only fair to expect that the reports should meet the requirements of its stakeholders to some extent. Traditionally, and in line with statutory requirements, the focus of these reports were to provide financial information to the financial and investment community. Due to the restraints placed by the statutory requirements, the main focus in companies was aimed at meeting the prescribed requirements, without consideration of the requirements of the various stakeholder groups. At the same time, corporate reporting reflected past performance and compared past performance to achievements even further back in history. There was no consideration for sharing any information about possible future plans or even future risk with any stakeholders.

This retrospective approach to reporting left a gap between stakeholder's information requirements and information that is actually made available to them by companies.

The King II Report (2002: 14) states: "Historically, whilst the performance on governing corporations has been financial, a balance sheet is only a record of one moment in time in the financial affairs of a company. Investors now want a forward-looking approach to reporting." The report continues (2002: 15): "What shareowners, especially institutional investors want are understandable measurements to enable them to judge stewardship, performance, conformance and sustainability on a common basis". The essence is that stakeholders want more non-financial information that will provide an indication of where the company is going and how it is going to get there.

King II report (2002: 129) further recommends: "Every company should report at least annually, on the nature and the extent of its social, transformation, ethical, safety, health and environmental policies and practices. The board of directors should, in determining what is relevant for disclosure, take into account the environment in which the company operates. For South Africa, the board should disclose:

- 1. whether it has adopted an appropriate HIV and Aids strategy plan and policies to address and manage the potential impact of HIV and Aids on the company;
- 2. whether it has developed formal procurement policies that take into account black economic empowerment;
- 3. whether it has developed and implemented a definitive set of standards and practices in the company based on a clearly articulated code of ethics."

The King II report is well respected by local business Executives as well as the International community. It is also the only report that recommends that companies include National Agenda priorities in their annual reports. This recommendation is significant as it focuses the Company's Management on those issues that are important to the country and wants companies to contribute to the well-being of the country in which it operates.

The King II Report (2002) does not prescribe any format but recommends that companies draw on a growing volume of guidance material including industry codes of practice, standards, and practical method and management tools (King II Report 2002: 107). The King II Report (2002) favours increased transparency and

recommends that companies provide stakeholders with more information in order to be able to assess their relationship with the company with more appropriate information about the company's past performance and expectations for the future.

The guidance material that is currently available is mainly aimed at companies that operate in the developed economies. Existing guidelines are aimed at all industries in any country with the result that they become confusing and ambiguous. Each recommended guideline attempts to set an international standard for companies to follow. The issue that is frequently ignored is the fact that stakeholders in different countries have different information needs and this limits the ability of any guideline to become relevant in all countries.

A large number of institutions have issued guidelines which results in excess of 400 performance indicators that are recommended for reporting. The result of this is that current reports lack a consistent approach which in turn results in reports that reflect badly on the image of the company and do not allow a comparison with other company's performance. If companies are required to change their reporting in line with the new requirements, more guidance is needed. It is clear that the credibility and practice of non-financial performance reporting will not improve unless a better defined purpose and framework is developed.

Sustainable development, sustainability, triple bottom line reporting, corporate citizenship, social responsibility and environmental management are all terms which are frequently used in business but are widely misunderstood. It is safe to say that: "As an emerging idea, the practice of 'sustainability', 'corporate responsibility' or 'triple bottom line reporting' is in a state of creative chaos."

The headings used in annual reports of listed companies confirm this confusion as the reports on economic, social and environment are called anything from sustainability reports to corporate citizenship reports to corporate responsibility reports to social responsibility reports. The content and the issues that are discussed in the reports also differ in terms of the interpretation of performance indicators and the topics addressed. In many cases it is not uncommon to read a report and not be able to define the industry in which the company operates, or to form an idea of the stakeholder group that the report is targeted at. The confusion that exists among corporates is exacerbated by a great number of authors on the subject that all have

their own definitions. This causes an amount of discomfort among Chief Executive Officers that does the credibility of the subject no justice at all.

The requirement for more comprehensive reporting has been accepted by many leading companies across the globe, but if the confusion is not clarified, company reporting will not succeed in providing stakeholders with more informative reporting that allows a basis for informed decisions about a company's future performance. This study is aimed at developing an understanding about the subject with a resulting framework that will make it easier for major companies to provide more meaningful information to stakeholders.

In order to develop a better understanding of the subject, it is important to look at the history and possible origins of sustainability reporting.

The concept of the triple bottom line and more specifically, sustainability reporting has not been subjected to any structured research. The purpose of this study was to conduct an in depth investigation into the elements that have to be in place for a company to issue meaningful sustainability reports. This included issues that impact upon the quality of reports. The results from the study provided an adequate background from which a simplified framework was developed.

The methodology to be used in the research will be elaborated on in subsequent paragraphs, but in short, this will be achieved by conducting a thorough analysis of the recommended performance indicators and topics that are currently included in sustainability reports published by leading companies in different industries in South Africa and Europe. It is expected that reports will include topics that are viewed as important enough for companies to include in their strategic plans and to report on. It is anticipated that the content will differ between different companies in different industries because different industries have different value chains and different impacts on societies and the environment. In addition, it is expected that the national agenda topics that are reported on will differ because different countries have different priorities.

The planned research will include an investigation into the company's approach to the strategy of sustainable development and the way that this strategy is implemented. The performance in relation to the area of sustainable development will then be the core of the sustainability report. In instances where sustainable

development has not yet been included in the strategic planning process, it is expected that the report will reflect an artificial support for the subject of sustainable development.

The benefit is that this study is the first academic study, as far as can be traced, undertaken into the phenomenon of sustainability reporting. The researcher will be able to develop a clearer understanding of the way that sustainability reporting is approached by leading companies across the world.

This study's main objective was to develop a new framework that can be applied in practice, but also start a new debate around the subject of sustainability that can lead to more clarity in the future.

The subject of sustainability reporting can be investigated from a number of different angles and because the subject is so wide, it can easily become meaningless. For that reason the study needs to be limited to the views that the company has towards sustainability reporting. This will keep it focused and provide a result that can be useful to all businesses. The research question is discussed in the next paragraph.

1.6 Research Question

As the main approach to the analysis was qualitative, the researcher had to have clarity regarding the central question that needed to be answered. Miles and Huberman (1994) recommend that a central question is defined followed by sub-questions that narrow the focus of the study.

Miles and Huberman (1994), argue that the student has to have a clear focus when deciding about the organisations to be approached and needs to collect specific kinds of data systematically. The questions define "what we want to know". The questions represent the facets of an empirical domain that the researcher wants to explore (Miles and Huberman. 1994: 23). To achieve this, the student has to define the research question clearly as this will allow the investigator to specify the organisation to be approached and the data to be gathered (Eisenhardt, 1989: 536).

Although companies that issue sustainability reports are increasing, the actual topics that are included in sustainability reports have never been subjected to formal studies. This has left a vacuum as most reporting companies as well as companies

that wish to issue sustainability reports has been at the mercy of the guidelines issued by a number of organisations e.g. The Global Reporting Initiative (GRI), The Global Compact, The Sigma Guidelines, Large Audit firms and more. This study aims to investigate this phenomenon and develop a simplified framework that should encourage companies to issue sustainability reports. In order to develop a framework, the researcher will attempt to determine the topics that should be included in reports.

The main research question:

- To what extent and how should sustainability performance be reported to stakeholder groups?

In order to answer the research question, the researcher will:

- a) Ascertain the trend in current sustainability performance reporting both locally and internationally. This will be addressed qualitatively by means of content analysis.
- b) Ascertain the perception of listed companies in South Africa regarding:
 - a. The nature of and the
 - b. Extent to which

Sustainability performance should be reported. This will be addressed quantitatively by means of a questionnaire that will be developed from the findings of the qualitative study and the literature review.

- c) Develop guidelines for reporting sustainability performance based on a) and b).

The phenomenon of sustainability reporting is further complicated by the different meanings that are ascribed to it. "Sustainability" is interpreted by different companies and authors in different ways. An answer to the actual meaning of the term will also be investigated. The researcher will attempt to find the most appropriate definition of the term. This will assist to place the phenomenon into a context that will provide more meaning to it.

1.7 Research Objectives

The following objectives were set for the study on sustainability reporting:

- 1 To qualitatively determine what information leading companies include in their current sustainability reports.
- 2 To quantitatively determine the performance areas that current reporters view as important enough to include in future sustainability reports.
- 3 To quantitatively determine whether National Agenda items should be included in future sustainability reports.
- 4 To gather information from the literature and the qualitative and quantitative analysis to allow the researcher to develop a framework that can be used by reporting companies to compile sustainability reports.

In chapter two the findings from the literature are discussed on a number of issues that relate to the above. Most of the literature reflects the views of different authors with different backgrounds and preferences, which often provides a biased view. Should the student be able to successfully achieve the research objectives, a more scientific and objective view can be recorded. This research can make a significant contribution to the way that leading companies can become more transparent in their disclosure of non-financial performance.

A study into a concept as new as sustainability reporting, limits the student's scope in the literature study as well as the research. The delimitations and limitations will be discussed in the following paragraph.

1.8 Delimitations and Limitations

During the first phase of the study, the researcher conducted a literature study to establish the views and meanings held by different authors on the subject of sustainability and sustainability reporting. The literature study was followed by a qualitative analysis of Sustainability Reports that were issued by leading South African and International Companies. This phase of the research was focused on the annual sustainability reports that are issued by listed companies. This researcher used annual sustainability reports because that is what the stakeholders receive. No interviews were conducted with company executives as the researcher wanted to

assess the information that stakeholders received and did not want to be influenced by interviews where the eloquence of the company executives could distort the information. From the information that was obtained during the qualitative study, the researcher developed a questionnaire that was used to gather data that allowed the researcher to analyse what participating companies viewed as topics that should be included in future Sustainability reports.

The following delimitations applied to the study:

1. The qualitative study was limited to the annual sustainability/ triple bottom line reports that were issued by a selected number of leading companies. The traditional annual financial reports were excluded from the study. Sustainability reports for this analysis were selected from companies that are registered as sustainability reporters on the International Global Reporting Initiative's (GRI) web-site (www.globalreporting.org). A total of 817 companies were registered on the web-site at the end of 2007.
2. Reports from companies where English was the business language were included. Companies where English was not the business language were excluded for reason of analysis. The researcher is South African and English is the South African business language.
3. Reporting topics that are not related to sustainability or the triple bottom line or that are unique to a particular industry were omitted as the aim was to determine the generic content of current reports.
4. The study was limited to the most recent annual sustainability reports for each selected company. Any reports that date to the period preceding 2004 was not included. This delimitation is caused by the fact that some companies issue their annual reports more that a year after their financial year close.
5. The study did not investigate the reasons for not issuing sustainability reports nor the reasons for omitting certain recommended performance indicators.
6. The study did not include an investigation into the circulation methodology of the reports nor the reasons for including or excluding certain stakeholder groups.

7. The focus in the research was aimed at investigating those topics and performance indicators most frequently used to report on the sustainability performance of the company.
8. The questionnaire for the quantitative analysis was sent to the CEO, CFO or Sustainability Executive of listed South African companies that are included as reporters on the GRI Index and are members of the JSE SRI Index.

Companies that were included in the qualitative phase of the study were selected from the GRI database of sustainability reporters. 817 companies were registered on this database and the researcher was able to select a sample of leading companies.

During the quantitative phase of the study, the researcher was limited in terms of the number of companies in South Africa that could be viewed as competent reporters. The total population of companies that are registered GRI reporters and are members of the SRI Index is limited to a total of 24 companies. This population is viewed as companies that have experience and knowledge of sustainability reporting. Although this is a limitation that cannot be generalized to other companies, it can inform and also provide guidelines towards the development of a framework that can commence the next stage of sustainability performance reporting.

The researcher selected the topic of sustainability reporting as he had worked in the management consulting field with specific focus on the development of sustainability strategies and the subsequent reporting on sustainability performance. The researcher has also developed an Executive program that he presents at a Business School. The discovery that the subject is badly defined has caused the researcher to spend time in developing an understanding of the shortcomings of the concept and decided to develop a framework that can be applied by reporting companies as well as companies that intend reporting in the future. The next paragraphs elaborate on the significance of the study.

1.9 Significance of the Study

Studies into the desired content of sustainability reports has been avoided by academics as the subject is a new developing science that many academics have touched upon and published articles, but it remains “a matter of opinion” among many authors. Norman and MacDonald (2004: 244) express their concern when they

state: “Given the rapid uptake by corporations, governments, and activist groups, the paucity of academic analysis is both surprising and worrisome”. Most authors have their own bias towards the topic and always express their view from their own frame of reference. Publications to this date have been limited to analysing and criticising current thinking around the subject with little contribution to the solutions that would clarify the issue.

The last ten years can be classified as the formative years of the sustainable development era. Academic research during these ten years started in the areas of social responsibility and social investment. Later on it developed into the areas of corporate environmental management and corporate citizenship. The focus up to this day has been on the external impact of the firm in environmental and social terms. The majority of research has also been done at Masters Level with a few at Doctorate level. A research report was conducted at doctoral level by Melvin Wilson (2003) at the University of Calgary and was aimed at the independent assurance of sustainability reports. As far as can be established, the subject of sustainability reporting has not been researched in any other context as those mentioned.

The result from the events surrounding sustainability as a strategy and as an additional reporting mechanism has been that the emphasis has been towards environmental impacts, rather than a holistic sustainable development viewpoint. The fact that most management consultants and academics that are active in the field, have an environmental qualification and are comfortable in their field of expertise, has had an impact that the sustainability of the sustainability agenda is threatened. The reality is that sustainability of the business and the environment in which it operates has not been taken seriously by many companies, which means that it's business as usual for many companies. It is the opinion of the researcher that the sustainability agenda is left to the large companies and seen as an unnecessary evil by the smaller companies in the world.

The study aimed to contribute to the identification of the factors that contribute to the commitment to sustainable development in some cases and on the opposite side the factors that contribute to a low commitment to the subject. After conducting all the research the researcher developed a simplified framework for sustainability reporting that can be used by small as well as large companies. This will contribute to the improvement of current reports and the simplified format will encourage companies that have not reported, to issue reports. This will contribute to the body of knowledge

that exists and is aimed at providing clarity about the issues that are currently confused by consultants and academics.

The results of this study could be used to develop academic executive development programs that in turn will result in an overall improvement in the quality of reports issued by leading companies. It could also provide institutions like the Institute of Directors improved guidelines that can be issued to reporting companies. Most of all the study will contribute to the improvement of company reporting with the resulting improvement in the image of the company.

The researcher had certain assumptions that were important to take into account as background to the study. The assumptions are well covered in publications across the globe and in the main are included in the assumption that all companies want to perform well in order to create value for all the stakeholders that are associated with the company. These assumptions are addressed in the next paragraphs.

1.10 Assumptions

In a study of this nature the researcher has to accept certain assumptions and be guided by those during the study. The assumptions are recorded below.

The first assumption was that most leading companies wish their companies to survive in the long term and continue to grow. Through its desire to continue in the long term, it has the objective to create value for a number of stakeholders that are either contracted by the firm or have some association with the firm.

The second assumption was that most leading companies have a desire to improve their disclosure to stakeholders.

The third assumption was that there will not be any legislation that will prescribe the required content of sustainability reports. Instead, it will always be the market that is the judge of the company's success or failure.

The fourth assumption was that the changes in the business environment determine that non-financial performance contributes to the financial performance of the company.

The fifth assumption was that future reports on non-financial performance will be included with the traditional financial report either as annexure to the annual report, or as a separate report as required by other potential stakeholders in order to assist them to form a better judgement of the firm.

In summary, the main assumption was that companies have an expressed desire to continue into the future and to improve performance continuously.

Sustainability reporting has been called by many names and the use of the word and related “synonyms” have caused many companies to force the use of the term to suit their chosen style and focus. The terms used need some clarity in order to arrive at a meaningful conclusion of this study. The next paragraph records some of the terms that are used in sustainability reports. The meanings of the terms and their impacts will be discussed in a later part of this report.

1.11 Definition of Terms

Non-financial reporting is growing in significance as corporations and their shareholders and stakeholders recognize that non-financial issues impact financial performance. Corporate reports that cover non-financial information are increasingly being issued under the umbrella term of sustainability reports (Baue, 2004).

At this early stage in the history of sustainability reporting, firms use a number of terms for their non-financial reports. The terms that are commonly used are:

- Sustainability reports
- Corporate citizenship reports
- Social responsibility reports
- Corporate responsibility reports
- Business reports
- Sustainable development reports
- Social investment reports and many more.

The study investigated the different uses and the meaning ascribed to the above. The terminology and content used in reports has been one of the main confusing issues that exist. For that reason, it became important that clarity about the actual

intent of the sustainability report is determined. The commonly used definitions of the different terms will be analysed in the literature study which forms an important section of this study.

1.12 Conclusion

Sustainability/Triple Bottom Line reporting has rapidly entered the vocabulary of business and the broader community and as it occurs with all terms that are not defined in laws or standards; the meaning of the term differs from company to company and from person to person (Norman and MacDonald, 2004; Ridgway, 2005). Similarly, the way in which organizations seek to implement and/or measure the success of practices based on the concept also differ considerably (Ridgway 2005). The idea behind this paradigm is that a company's ultimate success can and should be measured by not just the traditional financial bottom line, but also by its social/ethical and environmental performance (Norman and MacDonald, 2004). In line with the requirements of different stakeholder needs, companies are broadening their non-financial reporting to encompass sustainability (Andrews, 2002).

Pressure on companies to report on their non-financial performance is increasing from all sides (Henkes, 2007). A major change in reporting is taking place and stakeholders expect a more forward looking form of reporting.

Guidelines have been issued by a number of institutions across the world and a number of organizations have developed guidelines that can be adopted by companies. Molenkamp (2006) states that research conducted by KPMG indicates that there may be as many as a hundred examples of both voluntary and mandatory standards. The most popular guidelines were issued in 2002 by the Global Reporting Initiative (GRI) and their guidelines are used by a large number of leading companies in the world.

In spite of the confusion that has been caused by the existing guidelines, academics have participated in the debate regarding the shortcomings of the guidelines, but no one has yet attempted to develop a solution that would provide clarity to the reporting companies. An important part of the purpose of this study is to study the content of sustainability reports issued by leading companies and thereafter develop a clear definition and simplified framework for reporting. The aim of the framework is to assist reporting companies to find an answer to the question of "What to report and how?"

In the literature review that is discussed in the next chapter the study will investigate the history of sustainability reporting and the meanings attached to the topic by different authors.

Chapter 2

2 Literature Review

2.1 Introduction

The literature review reflects the views of authors and the factors that impacted upon the subject of sustainable development and ultimately sustainability reporting. This chapter investigated the role of business and the way it changed over the last 30 years. Business strategy has also undergone major development over the same period. The change into a more service oriented world economy has necessitated some of these changes and has complicated strategic planning as well as the valuation of a company. These developments had a ripple effect which affected the way that company performance is measured and reported. In addition, the awareness of the protection of the planet and the development of its people became a real agenda item for all countries in the latter part of the previous century. All these factors created pressure on the thinking and approaches of the past. Business still finds it difficult to adapt to these changes and many of the traditional practices in business have become somewhat old fashioned. The student will investigate the challenges that business faces in terms of non-financial performance reporting. In the new economy, the use of non-financial performance reports has become a lot more important than in the days of the Industrial age.

2.2 History of Sustainability

The previous century witnessed a deteriorating relationship between our global ecology and ongoing economic development. A way in which economic development could be realized, while taking supposed environmental limits into account, had to be found. Chiesa, Manzini and Noci (1999) argue that sustainable development has traditionally focused on privileging the social and ecological dimensions of sustainable development, whereas the financial, managerial and competitive implications have been neglected. They argue that such a lack is critical since the pursuit of sustainable development requires firms to deploy significant financial resources and managerial effort. This chapter analyses the history of the concept of sustainability and the actual intentions of the introduction of the concept.

In 1987 Gro Harlem Brundtland presented his committee's report, "Our Common Future" to the National Assembly of the United Nations. The brief of the committee was to make available a report on environment and the global "problematique" to the year 2000 and beyond, including proposed strategies for sustainable development. The now well published definition of sustainable development has its origins in the report where the following was recorded: "Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their needs"(Brundlandt 1987: 24). In Brundlandt's opening address to the National assembly he stated: "What is needed now is a new era of economic growth that is forceful and at the same time socially and environmentally sustainable"(Brundlandt, 1987: 14). In his address to the Assembly, Brundlandt also stressed that there were some members of the committee that wanted to limit the scope to "environmental issues" only, but warned that that would have been a grave mistake as the environment does not exist as a separate sphere from human actions, ambitions and needs.

From Brundlandt's introduction one must conclude that in the committee's definition of sustainability the economic, social and environmental elements are inextricably linked. All three elements needed to improve in order to ensure "a common future". The importance of the fact that all three elements have to be delivered in tandem is mostly misinterpreted and the bias found in reports either favour the environmental or the social elements. The other common mistake is that the all three elements are assessed in terms of its external impacts, yet Brundlandt clearly stated that economic growth is needed. Economic growth is internal to the company and is almost a pre-requisite for sustainable development. The responsibility for delivering sustainability included different populations, but also governments and private enterprise.

Sustainable development has three broad goals: environmental stewardship, social responsibility and economic prosperity, for both the organisation and its stakeholders. If a company wants to be sustainability focused in its business strategy, these three goals will be inter-related and supportive of each other. Such business strategies must be customised for the company to meet a company's core competencies (Placet, Anderson and Fowler, 2005: 32).

The subject of a company's social responsibility intentions and actions is becoming more top of mind in to-days world of the global company. As a subject that will

receive the attention of management in an increasing manner in the future, it will become part of a company's strategic planning process.

The approach recommended by triple bottom line (TBL) advocates that environmental, social and financial impacts are taken into account when corporate business strategy is defined. "The idea behind the TBL paradigm is that a corporation's ultimate success or health can and should be measured not just by the traditional financial bottom line, but also by its social/ethical and environmental performance" (Norman and Macdonald, 2004: 243). Some authors are a lot more critical of the current definitions of the subject of TBL and express themselves in the following way: The claims on behalf of TBL are very trepid and suggest little more than that the concept is "an important milestone in our journey toward sustainability" (Norman and MacDonald, 2004: 245).

In spite of John Elkington's (1998) book and many other publications, "it remains difficult to find anything that looks like a careful definition of the concept" (Norman and MacDonald, 2004: 245). TBL is most used to define the firm's impact on the economic, social and environmental bottom lines. Claims are that if the company performs in all three bottom lines, it will be more successful in its financial bottom line. "The claims can only be plausible if they are defined in vague terms" (Norman and MacDonald, 2004: 246). Norman and MacDonald (2004) express concern over the fact that academics have been reluctant to publish around the subject of TBL and states that it may be because it is difficult to find anything that looks like a careful definition of the concept.

The current definitions of TBL advocate that companies should focus mostly on issues that are external to the firm, but do affect the ability of the firm to perform. The subject of sustainability forms an integral component of the strategic planning process as different stakeholders have an impact on the ability of the firm to perform.

The concept of the triple bottom line (TBL) was popularised by John Elkington in 1998 in his book "Cannibals with forks". Elkington defined the triple bottom line as focusing on economic prosperity, environmental quality and social justice (Elkington, 1998). The King II Report (2002) mentions the impact that the Brundlandt Report (1987) had on the definition of TBL as their statement was that the planet had to be protected for future generations. The challenge however was to develop a

sustainable global economy that the planet was capable of supporting indefinitely (Hart, 1997).

The earlier debates around triple bottom line (TBL) were biased towards those issues that have an environmental impact. This trend is confirmed by reports that companies issued towards the end of the twentieth century. The focus of reports at the time was safety, health and the environment. The economic and social were ignored. The bias toward the environmental issues still dominates the subject of sustainability.

Elkington's (1998) publication can be seen as the commercialisation of the concept of the triple bottom line or sustainability. Elkington is an environmentalist and his work reflects this, but he also addresses the other elements of a sustainable company and a sustainable world. In the latter part of the book he adds the social and economic elements that companies can impact upon.

It appears that the subject of sustainability and the triple bottom line can be traced back to the Brundlandt Report (1987) and the work of Elkington (1998). The latter was the one that focused private enterprise on the subject, but as an environmentalist he favoured the impact that companies' have on the environment that surrounds their businesses. This led to the fact that earlier sustainability reports had an environmental bias and were mostly issued by businesses in the mining and chemical industries. The most consultants that currently provide services to companies are also from this earlier cadre.

The Brundlandt Report (1987) was presented 20 years ago and since the release of the report, the definition of sustainable development has been subject to several modifications and was mostly re-formulated according to different point of views. Marco Keiner (2003) took a critical view of the principle of 'sustainable development' and offered a more contemporary definition of the subject. He offered the following definition: "Sustainable development means ensuring dignified living conditions with regard to human rights by creating and maintaining the widest possible range of options for freely defining life plans. The principle of fairness among and between present and future generations should be taken into account in the use of environmental, economic and social resources. Putting these needs into practice entails comprehensive protection of bio-diversity in terms of ecosystem, species and genetic diversity, all of which are vital foundations for life" (Keiner, 2003: 380).

Keiner (2003) argues that the environment, above all, must be kept in tact in order to achieve sustainability. He continues his argument and comes to the conclusion that there are four elements that need to be in tact in order to achieve sustainability. These are the economic dimension, the environmental dimension, the social dimension and the institutional dimension. He changes the definition of social to the mind which has to be aware of the world view, knowledge and experience. The institutional dimension is defined as the organisation of our society and the relation between people. The argument by Keiner (2003) concludes by stating that the term sustainability remains vague. His definitions are an attempt to provide clarity, but he agrees that the term remains vague. His own definitions lead to a consensus that substantial parts of sustainability need re-development.

The subject must be viewed as an emerging one and that has an opportunity to advance to a more mature stage. The opposite is also true as it also has a chance to die a slow death. The fact that the disclosure is voluntary and little meaningful guidance exists has had an impact on the quality of reports. The poor quality of many reports is also a threat to its future existence.

In the next chapter the study will investigate the different terms and definitions that currently exist. Due to the confusion around the subject the different terms are often used as synonyms when sustainability is discussed. In the next chapter the researcher investigates definitions for the different terms and then attempts to find the way that each definition relates to the others.

2.3 The Role of Business

The debate regarding the purpose of business has developed into a different direction since Milton Friedman (1970) stated that “the purpose of business is business and the most important objective was the maximisation of profit”. Friedman recognised the shareholder as the only important stakeholder and ignored the impacts that other stakeholders could have on the business.

Friedman’s opinion in 1970 is still important to-day, but a shift is taking place. Ambler (2003) argues that the leading business principle is still to maximise value for shareholders. Ambler, however, argues that the way that this is achieved, has

changed. He argues that shareholder value is best served by first attending to the aspirations and needs of customers.

The increasing demands of other stakeholders have created different priorities for business as each group had its own unique requirements. Stakeholders have different relationships with companies and therefore different reporting requirements. All these factors developed into the increasing popularity of triple bottom line or sustainability reporting (Jayne, 2002).

Business serves several purposes in the economy. One, of course, is to generate profit for investors. To judge from the focus of financial reports, it appears that profit is still the only purpose of business, but corporations have far broader impacts on the economy and the society that it sustains (Cheney, 2004).

The Boston Consulting Group (2005) states that “The growing role of business in the global landscape means more and more people consider business as both the problem and the solution to many of the world’s problems from transparency, diversity and economic development, to human rights, sustainable development, the environment and ethics”.

If one accepts that business serves several purposes in the economy, sustainable development needs to be viewed afresh and the environmental bias that still exists should be dropped (Victor, 2006).

It is clear that the role of business had undergone significant change, but Management have not always adapted to that or sometimes even realised that the landscape has changed. Business has an impact on the world where it operates, and has to limit the destructive impact, but at the same time it has to make a contribution towards the sustainability of the planet and its people.

In a global economy, the corporate sector is increasingly the predominant driver of economic development in low-income economies. The facts are that in 1970, 70 percent of the capital flows to the developing world were from the government sector and 30 percent were from the private sector. In 2003, the situation is reversed: 20 percent of the capital flows are from the government sector and 80 percent from the private sector. Accordingly, governments, nonprofits, and citizens concerned with economic development at home and abroad are focusing more on how corporations

affect the economics of the communities they are involved with (Business and Economic Development, June 2003: 6).

Over the next 10 years, economic impact will become the litmus test for how society judges multinational companies, with the public scrutinising where corporations site their facilities and how they source their goods and services. The reason for this is because economic choices result in social and environmental outcomes and because the corporate sector is viewed, correctly, as the driver of economic development in a global economy (Business and Economic Development, June 2003).

As a principle one has to accept that the terms of business have changed. Ownership has been replaced by investment, and a company's assets are increasingly found in its people, not in its machinery and buildings. "For this reason the employees become a community that exists because the company exists. The shareholders provide the wealth and need a return on the money they've put in, but this is not the sole purpose of the company any longer" (Handy, 2002: 52). Handy (2002) continues to argue that 'investors' are there only for the money and will disinvest as soon as the share price will fall. Handy (2002) compares shareholders, who he classifies as investors, as perhaps even gamblers. For this reason a company's sole reason for existence is no longer just to make money; full stop, but to make profit so that the business can make something more or better. Business has a responsibility to the communities it serves as well as the people that cause the company to do well.

It is clear that the role of business had changed and will keep on changing. Business remains the most powerful institution on the planet and its role will continue to become increasingly important in the development of the planet.

If it can be accepted that the role of business is continuously changing, there must be an impact on the strategic plans of the business. In the normal business setting, strategy development typically focuses on expansion of revenue generating activities and reduction of non-essential costs (Placet et al, 2005: 32). The development of a comprehensive sustainability strategy can actually be a challenge. The next paragraph investigates the area of strategy with particular emphasis on the integration of sustainability into business strategy.

2.4 Business Strategy

A historical theoretical definition of business can be found in the very first publication of Harvard Business Review in 1922 by Wallace B Donham, the Dean of Harvard Business School, 1919-1942. Donham (1922) states that the theory of business needs to develop to such a point that the executive may learn from the experiences of others in the past how to act under the conditions of the present. If this is not done, business will continue unsystematic, haphazard, and for many men a pathetic gamble.

The lesson from Donham's (1922) article is that business is a science and that science can be learnt. To an extent, the science of business is one of the most difficult sciences to master as every business has its own peculiarities and the relationships within each business are different to the next. In this context it is necessary for managers to understand the definition of strategy more clearly.

The theory around strategic management has developed from the formulation of strategy during the mid-1960's to the mid 1970's to the next phase which had to face the issue of implementation of strategy. The real process of converting strategic intentions into actions required multi-year planning of capital and strategic expenses.

A handout in the MBL class of 1989 summarised the basic elements of implementation during the early years as:

- Strategy formulation
- Organisation structure
- Human resources
- Management processes and systems
- Corporate culture

Strategy was built around the definitions of:

- Strategy formulation is deciding where your company is today and where your company should be tomorrow.
- Strategy implementation is deciding how to get your company from where it is today to where it should be tomorrow.

- Effectively implementing strategy requires a constant effort to match and fit together the basic elements that drive the organisation.

Although the three elements appear extremely simple by their definitions, many companies have not been able to address all three elements successfully. The general business experience is that the implementation phase is where the process flounders. A grandiose strategy only means something the day that it's successfully implemented. Only then does it make a difference. But why is it so difficult to implement strategy?

The jobs of managers and executives have been analysed by numerous authors to try and determine the reasons for success or failure in organisations. If things were as simple as following the basic elements noted above, there would not be any failures. The task is however, a lot more complicated.

Carl von Clausewitz (1841) wrote: "Tactics involve the use of armed forces in the engagement; strategy is the use of engagements for the object of war".

Many of the terms used in business even to-day reminds one of a war. In many instances, business does resemble the strategies and tactics that have to be considered in a war situation. Competitors often create the feeling that they are at war with your firm and you have to be clever enough to outsmart them.

Peter Drucker (1954: 11) argued that "Management is not just passive, adaptive behaviour; it means taking action to make the desired results come to pass". In large corporations, "managing implies responsibility for attempting to shape the economic environment, for planning, initiating and carrying through changes in that economic environment, for constantly pushing back the limitations of economic circumstances on the enterprise's freedom of action". This insight became the key rationale for business strategy- that is by consciously using formal planning, a company could exert some positive control over market forces.

Drucker's work assisted managers to take the guesswork and gut feel out of the management of the company and gave management a structure whereby the manager could check the validity of his planned actions. The structure referred to represents a "theory" that could be compared to.

In the 1960's, classroom discussions in business schools came to focus on matching a company's "strengths" and "weaknesses"- its distinctive competence- with the "opportunities" and "threats" (or risks) that it faced in the marketplace. "This framework, SWOT, represented a major step forward in bringing explicitly competitive thinking to bear on questions of strategy. Kenneth Andrews" (1980: 69) combined these elements in a way that emphasised that competencies or resources had to match environmental needs to have value.

The popularity of SWOT did not bring closure on the problem of actually defining a firm's distinctive competence. To solve this problem, strategists had to decide which aspects of the firm were "enduring and unchanging over relatively long periods of time" and which were "necessarily more responsive to changes in the marketplace and the pressures of other environmental forces" This distinction was important because "the strategic decision is concerned with the long term development of the enterprise" (Andrews, 1980: 29).

Boston Consulting Group developed its version of the learning curve- experience curve in 1965-1966. Bruce Henderson stated:" it was developed to try to explain price and competitive behaviour in the extremely fast growing segments" of industries for clients such as Texas Instruments and Black and Decker (Bruce D Henderson, 1972).

The claim was that: "for each cumulative doubling of experience, total costs would decline roughly by 20% to 30% because of economies of scale, organisational learning and technological innovation." This theory is very much the industrial age thinking. It did make an enormous contribution to business understanding at the time.

The foundations of strategy were laid in the later fifties and sixties of the previous century. Many of the theories that were developed at that time are still being used to-day when looking at the difficulties that face the modern enterprise. The industries may have changed dramatically, but the theories are adaptable enough to form a framework within which to-days problems can be solved.

Michael Porter (1985) is seen to have had a very clear view of the strategic process. He helped the world to clarify what kind of values we wanted to provide to our customers and how our organisations can create and sustain a competitive

advantage in the markets we served. He stated “if a firm is to attain a competitive advantage, it must make a choice about the type of competitive advantage it sought to attain and the scope within which it will attain it. Being all things to all people was a recipe for strategic mediocrity....” (Porter, 1985: 12). Porter’s earlier thinking was very scholarly and structured and provides excellent models for the industrial organisation. His original work was mostly done during the mid 1980”s which was before the age of the service industry.

Rumelt, Schendel and Teece (1991) argue that strategic management is often called ‘policy’ or nowadays simply ‘strategy’, and is about the direction of organisations, and most often, business firms. It includes: the selection of goals, the choice of products and services to offer; the design and configuration of policies determining how the firm positions itself to compete in product markets; the choice of an appropriate level of scope and diversity; and the design of organisation structure, administrative systems and policies used to define and coordinate work. It is a basic proposition of the strategy field that these choices have critical influence on the success or failure of the enterprise, and, they must be integrated. It is the integration (or reinforcing pattern) among these choices that make the set a strategy.

Most of the issues noted by the above concern themselves with internal issues, yet it is common for the Executive to spend a large amount of his/her time managing issues that are not internal to the firm and appear at times to have little direct impact on the results produced by the firm. Many activities that the modern executive has to contend with are related to the environment within which the firm operates. To this end the Executive has to respond to the challenges posed by the external environments. The external environment includes competitors, suppliers, government agencies and many more.

Strategic management can be defined as the set of decisions and actions that result in the formulation and implementation of plans designed to meet the company’s objectives. Pearce II and Robinson (2000: 4) argue that Strategic Management involves the planning, directing, organising, and controlling of a company’s strategy related decisions and actions. By strategy, managers mean their large scale, future oriented plans for interacting with the competitive environment to achieve the company objectives. Pearce and Robinson (2000: 13) argue that: “Social responsibility is a critical consideration for a company’s strategic decision makers

since the mission statement must express how the company intends to contribute to the societies that sustain it”.

Traditional thinking about business strategy was largely focused on product, cost and competency leadership. Strategy formulation was focused upon the internal business issues. The external focus was aimed at the competition. Little attention was given to the contributions that the business could make towards the external environment that sustains the company. Pearce and Robinson (2000) advocated a more modern approach to business strategy that included a broad definition of social responsibility and rated the consideration of this issue as important as it rated other areas of corporate performance.

Strategy formulation and implementation should have a clear goal, but what is this goal? Minzberg (1984) argued that as shareholding became dispersed, owner control weakened; and as the corporation grew to be very large, its economic actions came to have increasing social consequences. The result of this dispersement of shareholding, the company also started considering public social goals alongside private economic ones.

In summary, strategy formulation was once aimed at creating benefits for its shareholders and shareholders alone. From this limited approach, a new broader approach has developed that considers all stakeholders that are impacted by the company. The objectives of companies will be discussed in the next paragraphs, but corporate reputation has developed into an important consideration in strategy formulation for all companies. This is discussed in the next paragraph.

2.5 Corporate Reputation

In recent years, the spotlight has been placed on the large corporates in a way that has not been seen since the great depression. The reasons for this are: the collapse of major companies like Enron and Worldcom; the practices of some of the big accounting and auditing firms, most notably Arthur Anderson and more. The rise and fall of Enron is one of the most prominent examples of the creation, use of, and then the destruction of a corporate reputation.

Norman Barry (2000) argued that for business to gain moral and legal approval, business must be socially responsible in a way that exceeds conventional morality. This debate broadened and developed into an increased focus upon company reputation. "The corporate reputation is defined as an image that fits the values of an individual, and which fosters a good relationship with the person" (Dowling, 2004: 22). The corporate reputation focus was on the relationship with the individual which in turn supported the stakeholder theory about business.

Dowling (2004: 20) quotes Richard Branson who advised senior managers to build their corporate brand not around products and services, but around their company's reputation. Implicit in Branson's strategy is the development of an organisation's desired reputation and the communication of this to key stakeholder groups.

A corporate reputation is an overall evaluation that reflects the extent to which people see the firm as substantially "good" or "bad". Good reputations foster trust and confidence, bad ones don't. The reputation a person holds of an organisation is composed of a set of beliefs about it and the industry in which it operates. This representation of corporate reputation has been variously called "corporate image" and "corporate identity". Corporate image is a person's beliefs about an organisation, and corporate identity is the attributes used to describe an organisation. Thus, corporate image means that we are talking about people's perceptions about an organisation and answers the question "What do people think about you?" Corporate identity refers to the way that the organisation presents itself to its stakeholders and answers the question "Who are you?" An organisation develops and highlights the parts of its identity that it hopes will foster a better image than its rivals in the minds of key stakeholders. If this occurs, the organisation is said to have a good reputation (Dowling, 2004: 20, 21).

Dowling (2004) continues and defines the Components of Corporate Image and Identity as:

- Character
 - Organisational culture
 - Competitiveness
- Ability
 - Chief Executive Officer
 - Employees

- Resources
- Products and services
 - Quality
 - Value
 - Range
- Behaviour
 - Leadership
 - Profit

Dowling notes that standard accounting and control systems are the most prominent internal mechanisms that many organisations have adopted to manage reputation risk. Dowling (2004) continues when he argues that two other measures for reputation management are the Balanced Scorecard and Triple Bottom Line reporting. The Balanced Scorecard is a metaphor that has been applied to get managers to focus on four perspectives of their business, namely, financial, customer, internal business process, and learning and growth. The basic idea is to monitor short-term financial performance, the building of longer-term capabilities, and the extent to which the needs of customers, suppliers, and employees are met.

Triple Bottom Line is another clever metaphor that has been widely, and loosely, used to get managers to focus on their organisation's corporate social responsibility- in particular, the issues of economic, social, and environmental performance (Dowling, 2004: 25).

From Dowling's point of view one can conclude that a company's reputation is amongst its most valuable assets. It is essential to attracting and retaining employees, customers and investors.

The MDB Group, taken from their web-site, present the following issues as relating the most to reputation:

- Positioning as a preferred employer. If a company is not seen as a preferred employer it is more difficult to attract talented people to work for the company and the company may experience unusually high losses of key talent.
- Positioning as a good corporate citizen. If the company is not seen as a good corporate citizen, various groups may protest or demonstrate where the

company does business, decline to do business with the company, or refuse to invest in the company.

- Determining responses to problematic inquiries. Difficult questions may come from employees, investors, shareholders, community organisations, or the general public. The company may be called upon to take a position on a socially controversial issue.

Fortune magazine conducted a survey: “America’s most admired companies” wherein they determined the eight drivers of corporate reputation to be:

1. Quality of management
2. Quality of products and services
3. Innovation
4. Long-term investment value
5. Financial soundness
6. Ability to attract, develop and keep talented people
7. Social responsibility
8. Use of corporate assets.

In the case of most of the attributes listed above, one finds that the company’s ability of communicating their performance in these areas to stakeholders, to be limited. Corporate reputation has increased in importance and company Executives need to develop their ability to improve its reputation. It also has to find ways that it can communicate this to stakeholders. The traditional annual report is focused on past financial performance and does very little in terms of communicating these reputation related issues to stakeholders.

Company Executives realise that the rules of business are changing, but are they taking this into account when they plan the objectives of the company?

2.6 Company Objectives

The goal of any organisation is to survive through growth and profitability. Profitability remains the most important objective for any company, because it is the clearest indication of the firm’s ability to satisfy the requirements of employees and shareholders. The key is “long-term” as most stakeholders wish to have a long-term relationship with a company.

Many organisations have been trapped into the pressures that are created by remuneration systems in the main and that results in a short term focus for the management. This short-term focus can cause long-term financial problems and often overlook the concerns of major stakeholder groups that include customers, suppliers, creditors, regulatory agents. The short-term focus of many Executives may also have detrimental financial effects in the long term.

The question arises: What are the performance areas that should be taken into account when long-term objectives are being set? The debate about this issue is specific to an industry as well as to a business in a particular industry. This is often determined by the wishes and ambitions of the Senior Management in a company. The senior management has enormous autonomy in the current business environment, caused mainly by the fact that investors in listed companies have become less active and is often large pension funds that have very little involvement in the company.

Profitability is however, the end result of all the actions that take place within the organisation. The question remains: What should be done to achieve the profitability objectives? These activities that companies have to take are defined as the strategies that will be employed.

The activities that have to be managed are internal as well as external to the company. The immediate external environment includes competitors, suppliers, increasingly scarce resources, government agencies and customers. The remote external environment comprises economic and social conditions, political priorities, and technological developments, all of which must be anticipated, monitored, assessed, and incorporated into the executive's decision making.

The fact that trust towards the management of companies, has declined has other effects on the company. The impact is mostly on the reputation and image of the company. The subject of corporate reputation is also new as until very recently companies were spending fortunes to increase the visibility of the company's brand in the eyes of the consumer. In this regard, marketing spend increased towards sport sponsorship, outdoor and television advertising. Companies suddenly learnt that visibility on its own could be damaging to the firm if it was associated with the incorrect sponsorship or advertising medium.

Markets rely on rules and laws, but those rules and laws depend on truth and trust. Conceal truth or erode trust, and the game becomes so unreliable that no one will want to play (Handy, 2002: 49). The great virtue of capitalism- that it provides a way for the savings of society to be used for the creation of wealth- is being eroded.

In the recent scandals, truth seemed too easily sacrificed to expediency and to the need, as the companies saw it, to reassure the markets that profits were on target. People's trust in business, and those who lead it, is cracking. To many it seems that executives no longer run their companies for the benefit of consumers, or even for their shareholders and employees, but for their personal ambition and financial gain. A Gallup poll conducted in the USA found that 90% of Americans felt that people running corporations could not be trusted to look after the interests of their employees and 18% thought that corporations looked after their shareholders a great deal. "Personal greed, insufficient scrutiny of corporate affairs, insensitivity or an indifference to public opinion: those charges could be laid against some business leaders" (Handy, 2002: 50).

In the current version of Anglo American stock market capitalism, the criterion of success is shareholder value as expressed by the company's share price. A result of this obsession with share price is the shortening of horizons. This causes companies to mortgage their futures in return for a higher share price in the present. This shortening of the horizon is aggravated by the fact that in 1980 only about 2% of executive pay in the USA was tied to share options, where it is now thought to be about 60%. Has this caused the whole business culture to become distorted? This must cause business to attempt to create value where no value exists. The flaws that exist have to be remedied. Better and tougher regulation would help as would the separation of auditing from consulting as was the case with Enron. Corporate governance has to be taken more seriously.

The Chief Executive Officer and his team have to make complex choices about corporate goals and the means to achieve them, choices that outline the strategic direction of the company. "They define the way the company will grow in size and profits. They determine how earnings will be divided between dividends for shareholders and funds to be retained for future internal investment" (Donaldson, 1991: 6).

It is commonly believed that the primary goal of the corporate manager (Senior Executives) is the maximisation of shareholder wealth. But we have found, in contrast, that their primary goal is the survival of the corporation in which they have invested so much of themselves psychologically and professionally. Therefore, they are committed first and foremost, to the creation of corporate wealth, which includes not only the firms financial assets reflected on the balance sheet but also its important human assets and its competitive positions in the various markets in which it operates (Donaldson, 1991: p7).

This desire to assure the survival of the company provides the driving force for their initiatives and strategic choices. "They must meet the expectations of their three primary constituencies- the capital market, their product markets, and their organisation" (Donaldson, 1991: 9, 10).

The role of the Chief Executive Officer is well captured by the CEO of RCA in the view of his job: "In my concept of the job as chief executive of Atlantic Richfield and RCA, the first and foremost goal is to develop with others where the company is going. Second, it is the care and feeding of the people who have to get there, and third, it's the financial health of the company" (Donaldson, 1991: 14).

It appears that there are as many views as there are authors, but the common issue that is crystallising is that the company has accountability to an increasing number of stakeholders. Further, the planning horizon is becoming further into the future. This will alleviate the short term focus that is created by short term incentives. The views are shifting towards the view expressed by Pearce II and Robinson (2000), quoted in the next paragraph.

Typically, the objectives of a company will be: profitability, return on investment, competitive position, technological leadership, productivity, employee relations, public responsibility, and employee development.

If one has been able to define the reasons for existence of the company, it is appropriate to also look at the issues that contribute to the success of the company.

2.7 Factors that Contribute to the Success of Businesses

In a classic 1960 article “Marketing Myopia”, Theodore Levitt had been sharply critical of any firm that focused too narrowly on delivering a specific product, presumably exploiting its distinctive competence, rather than consciously serving the customer. Levitt argued that when companies fail, “it usually means that the product fails to adapt to the constantly changing patterns of consumer needs and tastes, to new and modified marketing institutions and practices or to product developments in complementary industries” (Levitt, 1960: 45-56.). The view expressed by Levitt, which was product and customer focused, has developed over the last decades to a much more inclusive view. A large contribution to the changed view can be attributed to the change from an industrial age to the information age. This definition of the industrial and information ages is developing into the knowledge age, which brings about some more changes in views.

Simon Zadek (2001: 70) illustrates this change to the knowledge age when he emphasises the importance of innovation in the new market place when he argues: “Key is that successful businesses in the future will be those that are able to effectively innovate their process, products and services on a continuous basis. In an economic system where innovation is critical, the organisation’s ability to increase its sources from all forms of knowledge becomes the foundation of the innovative firm.”

Ton Vosloo, the Chairman of Naspers supports this shift in emphasis when he states in Rapport on 2004 10 17 that there are 5 requirements in the new economy that will determine the success of the firm: Companies and their leaders must be innovative, they must be technology driven, emphasise communication, have great strategic vision and engage in globalisation. For a business to become successful, certain disciplines need to be in place. One of these is good corporate governance. In the next paragraph the concept of corporate governance is investigated.

2.8 Corporate Governance

In the introduction to the King Report on Corporate Governance in South Africa (2002: 5) the committee quotes Sir Adrian Cadbury: “Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals...the aim is to align as nearly as possible the interests of individuals, corporations and society”. The first (1994) and the second (2002) King Reports institutionalised corporate governance in South Africa. The

introduction to the second report positions corporate governance as advocating an integrated approach in the interests of a wide range of stakeholders having regard to the fundamental principles of good financial, social, ethical and environmental practice. The King Report emphasises that companies no longer act independently from the societies and the environment in which they operate (2002: 5). The report emphasises the importance of stakeholders that are relevant to the company and the responsibility towards them by the company. The King II Report includes shareowners in its definition of stakeholders (2002: 5).

The King II Report (2002) advocates an inclusive approach to corporate governance, in which companies are clearly advised to consider the interests of a variety of stakeholders (West, 2006). This inclusive approach includes stakeholders such as the community in which the company operates, its customers, its employees and its suppliers (King II, 2002). The report continues to advocate that the purpose of the company should be defined, and the values by which will carry on its daily life should be identified and communicated to all stakeholders.

The King II Report (2002) defines seven characteristics of good corporate governance:

- Discipline

Corporate discipline is a commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted to be correct and proper.

- Transparency

Transparency is the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business. It is a measure of how good management is at making necessary information available in a candid, accurate and timely manner. It reflects whether or not investors obtain a true picture of what is happening inside the company.

- Independence

Independence is the extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest that may exist, such as dominance by a strong chief executive or large shareowner. These mechanisms range from the composition of the board, to appointments to committees of the board, and external parties such as auditors.

- Accountability

Individuals or groups in a company, who make decisions and take actions on specific issues, need to be accountable for their decisions and actions. Mechanisms must exist and be effective to allow accountability.

- Responsibility

With regard to management, responsibility pertains to behaviour that allows for corrective actions and for penalising mismanagement. Responsible management would take to set the company on the right path. While the board is accountable to the company, it must act responsibly to and with responsibility towards all stakeholders of the company.

- Fairness

The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected. For example, minority shareholder interests must receive equal consideration to those of dominant shareowners.

- Social responsibility

A well-managed company will be aware of and respond to social issues placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.

The King II Report (2002) continues by providing guidelines to structures and practices that have to exist in companies that will result in good governance. The King II Report advocates an inclusive approach to corporate governance. Significant within this inclusive approach is that the company must act with responsibility towards “all stakeholders” (King II Report, 2002: 11). The investors and shareowners are acknowledged in the characteristics, but the dominant argument in the recommended characteristics is the importance of “all stakeholders that have an interest in the company and its future” (King II Report, 2002: 11).

The King III Report is expected to be published at the end of 2008 or soon thereafter. Michael Judin from Goldman Judin Inc Attorneys argues that he expects that the next King report will be more comprehensive than the previous report and should include topics like climate change and the power of creditors. His personal opinion is that the amended companies act and King III will occupy many minds in the future. Sharda Naidoo (Sunday Times of 17 June 2007) expresses the view that King III will incorporate aspects of the new Companies Act.

Tricker (1997) argues that all corporate entities need to be governed as well as managed and states that corporate governance is about “exercise of power over corporate entities”. He acknowledges that the definition is not all that simple as there are differing and ambiguous views about corporate governance.

Approaches to corporate governance differ in different countries in the world. It is appropriate to consider some of these differences and also to analyse the view that corporates in South Africa hold towards corporate governance. The theory of corporate governance is frequently described in terms of two apparently opposing models: the shareholder and the stakeholder models (Freeman, 1983: Hutton, 1997: Letza, Sun and Kirkbride, 2004: West, 2006). The different models of corporate governance are discussed in the next paragraph.

2.8.1 Models of Corporate Governance

Hutton (1997) attributes the blame for Britain’s poor economic performance in the 1990’s to the pursuit of short-term profits for investors, instead of long-term policies which take into account the needs not only of shareholders but also of suppliers, workers, trade unions and banks. He called for a reform of corporate governance structures to reflect the various interests that converge on the firm. His view was supported by earlier authors especially Freeman and Reed (1983) who advocated a

move away from the 1970's views that were supported by business. The 1970's shareholder model supports the view that the corporation is an extension of its shareholders or owners. The corporation has the goal of providing goods or services to customers for the benefit of its shareholders and that therefore it is required to be accountable and responsible to its owners (Friedman, 1970).

In contrast to the shareholder model, the stakeholder model is based on the view that the corporation is a social entity that has responsibility (and accountability) to a variety of stakeholders, in its widest sense including all those that may influence or are influenced by the corporation (Freeman and Reed, 1983).

Although the inclusive approach adopted in the King II Report receives support from across the world, there are contradicting views as expressed by Sternberg (1997) who argues that the stakeholder doctrine is incompatible with business performance and accountability. Her argument revolves mainly around the fact that the stakeholder theory about the stakeholders that need to be taken into account is infinite and that stakeholder theory does not explain what should count as a benefit. She continues her argument by expressing the view that if benefits could somehow be identified, how will a balance be struck? West (2006: 438) expresses criticism of the King II Report (2002) when states that the stakeholder approach initially so evident in the King II Report (2002) is accompanied by an implicit acceptance of existing shareholder-dominant structures.

Corporate governance cannot be understood without an analysis of stakeholder theories and for that reason the next paragraph includes a discussion of the stakeholder theories and the view and arguments of writers on the subject.

2.9 The Importance of Stakeholders

The classic work by Freeman (1984) was a significant milestone in the theory of stakeholder management. His work set the foundation for the stakeholder management theory and he is still quoted by most of the authors and academics that express their views on stakeholder theories.

Freeman starts his book with the following reference: "Both business and service organisations are experiencing turbulence. Local, national and global issues and groups are having far-reaching impacts on organisations. Gone are the 'good old

days' of worrying only about taking products and services to market, and gone is the usefulness of management theories which concentrate on efficiency and effectiveness within its product market framework." Freeman explains that business has developed from a simple supplier-customer framework to a more complex framework that includes the issues of ownership and employees. This concept was more complex as ownership became more dispersed as banks, stockholders and other institutions financed the emergence of the modern organisation. The result of this was that managers had to simultaneously satisfy the owners, the employees and their unions, suppliers and customers.

Freeman (1984) describes the turbulence that business managers have experienced as coming from two sources consisting of internal and external. The internal source requires business to constantly reassess current policies and procedures in light of new demands by groups such as customers, employees and their unions, stockholders and suppliers. External change can be understood in terms of the emergence of several new groups and the restructuring of old relationships of lesser importance, which have come to have a stake in the actions or inactions of the corporation. Included in this group is: various levels of government, competitors, consumer advocates, environmentalists, special interest groups and the media.

Freeman (1984) argues that when business managers try to formulate coherent strategic plans and implement these plans in some semblance of their original form, they often run afoul of the external environment. He cautions on the false comforts of denial and projection. Refusal is defined as a refusal to admit that external groups really do have a stake in the firm, and that they can affect the firm. Projection occurs when business managers blame someone else, or some external event for his/her shortcomings. "It is the role of the manager to accept and own the problems which result from the failure of the organisation to meet stakeholder needs" (Freeman, 1984: 23).

The response of organisations to these changes in their operating environment has been as varied as the changes themselves. There are four basic modes for coping with a changing environment. The first mode, inactivity, involves ignoring the changes and continuing business as usual. The second mode, reaction, involves waiting for something to occur and responding to that change. The third mode, proactivity, involves trying to predict the external changes that will occur and positioning the organisation towards those changes before the fact. The proactive

mode is anticipatory. The fourth mode for coping with external forces is the interactive mode, that is, active involvement with the external forces and pressure that seeks to create the future for all concerned (Freeman, 1984: 23).

Freeman (1984) describes a picture of the firm as being central to a number of stakeholder groups that consists of “groups and individuals that can affect, or are affected by, the accomplishment of organisational purpose. The groups are mainly: owners, consumer advocates, customers, competitors, media, employees, special interest groups, environmentalists, suppliers, governments and local community organisations. He argues that each of these groups plays a major role in the success of the business enterprise in today’s environment. Each of these groups has a stake in the modern corporation, hence the term, “stakeholder”, and the “stakeholder model or framework” or “stakeholder management”.

In the modern organisation, it important for managers to understand how stakeholder groups and the issues of each are started, the importance of key issues and the willingness of groups to expend resources either helping or hurting the corporation on these issues. For each major stakeholder, those managers responsible for that stakeholder relationship must identify the strategic issues that affect that stakeholder and must understand how to formulate, implement and monitor strategies for dealing with that group” (Freeman, 1984: 26).

Freeman (1984: 48) summarises his definition as follows: “The stakeholder approach is about groups and individuals who can affect the organisation, and is about managerial behaviour taken in response to those groups and individuals”. The lessons that are learnt from the views expressed by Freeman are that the process of strategic planning in the modern era goes beyond the borders of the firm and needs to take the potential external influences into account. The result of this is that success of the firm is dependent upon more than just a narrow internal view.

Pearce and Robinson (2000: 4) define strategy as: “meaning the large scale, future oriented plans for interacting with the competitive environment to achieve company objectives”. These authors extend the views expressed by Freeman noting that “strategic issues require considering the firm’s external environment”. They state that “management has to consider what the stakeholders are likely to do”

Pearce and Robinson (2000: 29) state that a mission statement will contain: “the basic service or product to be offered, the primary markets or customer groups to be served, and the technology to be used in production or delivery; the firm’s fundamental concern for survival through growth and profitability; the firm’s management philosophy; the public image the firm seeks; and the self-concept those affiliated with the firm should have.” Already we are witnessing the presence of an image and a self-concept of the firm. The firm has to take the requirements of its various stakeholders into account when formulating business strategy.

From publications on the subject of strategy over the last four decades, the idea that develops points toward the fact that business has a duty to take factors that are internal as well as external to the firm into account when formulating strategy. The modern business executive has to realise that a company’s right to exist depends upon its responsiveness to the external environment as well as the internal environment.

For management to convince all stakeholders that they are in control of the issues that create value for the firm, it has become important for management to report to their important stakeholders on these issues.

The problem however remains that low quality sustainability reports come across as nothing more than public relations efforts that are ultimately dangerous to the company producing them. They provide only an image, rather than a substantive assessment of real risks (Cheney, 2004). Most sustainability reports that are published at the moment reflect little consideration for the requirements of the different stakeholder groups, which has a major impact on the credibility of the reports.

It is becoming clearer that there’s more to the sustainability of the firm than most have guessed and that sustainability is becoming an issue that is of strategic importance for the company. The subject of sustainability appears to sort into the realm of strategy, but in order to understand this positioning; the subject of strategy must be addressed.

The definition of a sustainable corporation remains a subject of considerable debate. The question that remains is whether it is possible to define the criteria that will determine the long term sustainability of the firm. The World Economic Forum in

Davos, launched its first annual report on the companies they found would be “most likely to be around” in 100 years. From a sample base of 2000 companies in 53 sectors, they chose the top 100 on the basis of “their demonstrated performance and strategic ability to manage the triple bottom line (society, environment and economy).” In order to form an idea of this “sustainability”, the current opinions regarding the performance areas that need to be measured, the next chapter is dedicated to performance management with specific emphasis upon non-financial performance.

2.10 Performance Measurement

It is common knowledge that to survive a company has to generate profits; however, the survival of a company does not depend on profitability alone. Managers of successful companies have learnt that financial measures are “after the events indicators of performance that which depends on numerous events that have taken place months or years before and over which management have no control at present (Pandey, 2005). Pandey argues that “A comprehensive performance measurement system requires the measurement of lagging, current and leading indicators” (Pandey, 2005: 52). In order to develop a measurement system that will assist management as well as other stakeholders, the company has to develop a system that measures performance against non-financial and financial objectives (Ambler, 2003: Pandey, 2005). This will assist the company to assess the leading as well as the lagging indicators. Pandey (2005) convincingly states that the future success of the company depends on the non-financial goals- the “leading indicators”.

2.10.1 The Balanced Scorecard

Kaplan and Norton discovered the need to measure past performance as well the performance in areas that drives future performance. They developed and commercialised the Balanced Scorecard (BSC). The BSC has become the most popular tool to assist managers to navigate the company to future success (Kaplan and Norton, 1996).

The BSC was developed to assist companies to translate strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system. It retains the emphasis on financial objectives, but also includes the performance drivers of the financial objectives

(Kaplan and Norton, 1996). It measures organisational performance across four balanced perspectives: financial, customer, internal business processes, and learning and growth. The BSC enables companies to track financial results while simultaneously monitoring progress in building capabilities and acquiring the intangible assets they need for future growth (Kaplan and Norton, 1996: 2; Kaplan and Norton, 2004). Kaplan and Norton have positioned the BSC as a tool with many applications. It enables an organisation to clarify strategic objectives and identify the critical drivers of those objectives. In addition the BSC serves as a measurement tool that assists with the management of company performance.

Kaplan and Norton focus on the areas of customer relationships, innovative products and services, employee skills and motivation and information technology. In their early work their focus is very much on internal issues that will ensure future success. In their early publications they did not address the external issues that may impact upon the company's ability to achieve success. Their external issues were limited to customers and shareholders. Kaplan and Norton criticise the traditional accounting model that was developed centuries ago and express the opinion that this should have been developed to take intangible assets into account as they determine future success. The following paragraphs investigate the Balanced Scorecard from the perspective of the authors.

2.10.1.1 The Focus of the Balanced Scorecard

Kaplan and Norton (1996) describe the balanced scorecard as a management system that enables organisations to clarify their vision and strategy and translate them into action.

Kaplan and Norton (1992: 71) suggest in various articles that the changing business environment requires more than a purely financial view of management. The departure point in developing the balanced scorecard was an observation that companies relied too heavily on financial measures to assess performance. Kaplan and Norton (1996: 7) explain that the modern accounting system was developed long before intangible assets, alliances and skilled employees constituted an organisation's most valuable assets (Kaplan & Norton, 1996: 7). Kaplan and Norton (1996) recommend that both financial and non-financial performance measures be used in a holistic perspective of management.

The balanced scorecard combines a focus on both short-term and long-term objectives to improve management's ability to measure the company's performance against strategic goals.

2.10.1.2 The Main Elements of the Balanced Scorecard

Over the past few years, the balanced scorecard slowly evolved from its original use as a performance management tool. It is more than a traditional tool to control behaviour and/or to evaluate past performance. Kaplan and Norton (1996: 11) identified four perspectives (or pillars) on which organisational success is based, namely financial aspects, the customer, internal business processes, and the learning-and-growth perspective (Kaplan and Norton, 1996: 31).

- **Financial perspective:** How should we appear to our shareholders to succeed financially?
- **Customer perspective:** How should we appear to our customers to achieve our vision?
- **Internal business processes perspective:** In which business processes should we excel to satisfy our shareholders and customers?
- **Learning-and-growth perspective:** How do we sustain our ability to change and improve?

These four perspectives of the balanced scorecard permit a balance between short and long-term future orientated objectives, between desired outcomes and the performance drivers to achieve those outcomes, and between hard, objective measures and soft, more subjective measures. The reasoning behind the four perspectives was that long-term success could only be achieved by developing capabilities that would in turn drive future performance.

The goals and performance indicators developed for each of these perspectives derive from the organisation's mission and strategy and are transformed into understandable and attainable goals. A balance is required between measures developed for external parties (shareholders and customers) and those developed for internal parties (Kaplan and Norton, 1996:a:10). All performance indicators should be

balanced between those that represent historical events and those that indicate future performance. The basic premise of these four perspectives is that investment in learning and growth will give rise to improved internal business processes. Better internal business processes ensure more satisfied customers who in turn enable an organisation to become more profitable and financially secure.

The balanced scorecard provides a structured basis for the following (Kaplan and Norton, 1996:a:28):

- Strategic feedback to decision makers on the present status of the organisation from several perspectives
- Diagnostic feedback to various processes to guide ongoing improvement
- Performance trends over time as measurements are tracked
- Feedback on measurement methods and performance areas that should be tracked
- Quantitative input to forecast methods and models for decision support systems

The four perspectives of the balanced scorecard plus organisational strategy are now discussed in more detail.

2.10.1.3 The Four Perspectives of the Balanced Scorecard

Kaplan and Norton warn readers that the Balanced Scorecard should be used as a template, not a straight jacket (Kaplan and Norton, 1996: 34). The BSC incorporates the interest of other important stakeholders such as employees, suppliers and the communities. The four perspectives are described as follows:

The central focus of the balanced scorecard methodology is to measure those factors that create competitive advantage and breakthroughs for the organisation.

- Financial perspective

Kaplan and Norton attach a lot of value to the measurement of financial performance as every measure selected should be part of cause and effect relationships that culminate in improving financial performance. The scorecard should tell the story of the strategy, starting with the long-run financial objectives, and then linking them to

the sequence of actions that must be taken with financial processes, and finally employees and systems to deliver the desired long-run financial performance (Kaplan and Norton, 1996: 47).

The financial perspective remains important but Management cannot rely only on financial performance. Relying on this perspective alone creates the risk of being too one –dimensional, but also that only past performance is managed (Ambler, 2003). Other perspectives have to receive the same level of priority treatment. These are discussed in the next paragraphs.

- Customer perspective

This perspective emphasises the importance attached to customers in organisations today. This importance is confirmed by Ambler (2003) who argues that for most companies, customer loyalty is the single most important determinant of long term growth and profit margins(Ambler, 2003: 75). Ambler also argues that future cash flows are dependent upon existing and potential customers (Kaplan and Norton, 1996: Ambler, 2003).

Kaplan and Norton (1996) emphasise that companies that do not understand customer's needs eventually allow competitors to offer better products and services to meet customer's needs. The way an organisation is seen by different stakeholder groups, including customers, can have a huge impact on performance. This perception that customers have of a company ultimately contributes to or destroys the corporate reputation (Page and Fearn, 2005).

- Internal business-process perspective

Managers use this perspective to identify critical processes for achieving customer and shareholder objectives. Deriving objectives and measures for the internal business process perspective represents a major distinction between the balanced scorecard and traditional performance measurement systems (Kaplan & Norton, 1996: 92). The limitations of relying exclusively on financial measurements are well known. Most organisations supplement financial measurements with measures of quality, yield, throughput and cycle time. Recent trends encourage companies to measure performance of business processes like order fulfilment, procurement and production planning. Kaplan and Norton (1996) argue that in the Balanced

Scorecard, the objectives and measures for the internal business-process perspective are derived from explicit strategies to meet shareholder and targeted customer expectations. They further state that the sequential, top-down process will usually reveal entirely new business processes at which an organisation must excel (Kaplan and Norton, 1996: 94).

- Learning-and-growth perspective

The fourth and final perspective of the Balanced Scorecard (BSC) develops objectives and measures to drive organisational learning and growth. The objectives in the learning and growth perspective provide the infrastructure to enable ambitious objectives in the other three perspectives to be achieved (Kaplan and Norton, 1996: 126).

The Balanced Scorecard stresses the importance of moving away from a short term focus, but to also invest for the future. The experiences gained by the authors of BSC have discovered three principal categories for learning and growth:

- Employee capabilities
- Information systems capabilities
- Motivation, empowerment and alignment.

- Summary

Kaplan and Norton (1992) state that what you measure is what you get. They continue that executives understand that traditional financial measures like return on investment and earnings per share can give misleading signals for continuous improvement and innovation-activities that to-days competitive environment demands (Kaplan and Norton, 1992: 172). They stress the importance of incorporating measures that are specifically derived from an organisation's strategy (Kaplan and Norton, 1996: 44).

Kaplan and Norton have developed a tool that is adaptable to every company's particular set of strategic objectives (Kaplan and Norton, 2004: Pandey, 2005). They have broadened their initial view to include topics like improvements for shareholders as well as societal performance for communities and nations.

In overall terms, the BSC is a management tool that allows the company to develop the capabilities to maximise future performance without neglecting the current. The BSC recognises the fact that no single measure can provide a clear performance target or focus attention on the critical areas of the business. The main reason for success of the BSC is that it provides a tool that complements the financial measures with operational measures that are the drivers of future financial performance.

There are however, criticisms of the BSC and it has to be recognised that over time this will increase as new thinking develops about business, the reasons for business and the elements that contribute to the sustainable performance of business.

The Sigma Project (www.sigma.org) in the United Kingdom criticise Kaplan and Norton for not being able to link the drivers of success to the actual end result financials. To simplify the matter, they recommend that a sustainability perspective and a stakeholder perspective be followed. They argue that the scorecard should replace the single bottom line of financial performance with a sustainability perspective that will structure all the elements of performance within the scorecard. Their stakeholder perspective is broader than the customer perspective as they support the opinion that what all stakeholders think about the company is important.

2.11 Performance Reporting

For many years disclosure of the financial performance of companies has been an established process, with a clear set of guidelines and rules for reporting. The main characteristic of this type of disclosure is the fact that it focuses on historical performance and gives very little information regarding the expectations for future performance.

Stakeholders have changed as is evident from the largest part of this document. Their demands have also changed and they want to understand what management is planning for the future. The stakeholder groups that need an understanding of the anticipated future has also increased. The traditional custom that the shareholders were the only interested group has extended itself to include employees, suppliers, customers, NGO's, labour unions and others.

In addition to these implications is the fact that business is expected to fulfil a larger role in the communities where it operates. Government, partly through privatisation,

has left a lot more of their own traditional role to the business sector. For this reason, one finds that large business is funding the establishment of schools, clinics and other facilities. This has become part of business's social responsibility.

In addition the role of business in protecting the environment and their social responsibility has increased to the extent that business started reporting on their environmental impacts. Society however, also wants to know what's going on in the organisation. It is increasingly asking for corporate responsibility, corporate accountability, transparency and dialogue. Business will have to move away from the single bottom line of economic performance to the management of the triple bottom line of sustainable development. The stakeholders are getting tired of the short term, business as usual approach. The common view is that business is not disclosing the fact that they are looking ahead.

In Accounting to-day (2004) the view is expressed that if corporations have far broader impacts on the economy and the society's that it sustains, corporate reports should report on those impacts. The answer may lie in the triple bottom line. Glenn Cheney (2004) continues: "The financial bottom line is the traditional conclusion of the annual reports. It shows how the company has benefited its investors. A social bottom line shows how the company has benefited society, an entity including customers, vendors, communities, governments, future generations and everyone else. An environmental bottom line would show how the company has contributed to the sustainability of its environment (including the environment of its suppliers, customers, investors, communities and so on) by minimising contamination and ensuring a sustainable inventory of natural resources."

2.12 Sustainability Indices

As the awareness of sustainability and its different components have become more popular, Securities Exchanges across the world have introduced indices that were aimed at encouraging companies to become more triple bottom line focused. The approaches of the various indices differ and this adds to the confusion that exists in business. This chapter aims to investigate the main indices and identify the differences that exist.

2.12.1 The Dow Jones Sustainability Index

The Dow Jones Sustainability Index (DJSI) was the first index to be introduced. The DJSI was launched in 1999 as the first global index to track the financial performance of the leading sustainability driven companies worldwide (www.sustainability-index.com 2006). On their web-site, corporate sustainability is defined as a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. They argue that corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks. The approach of the DJSI includes a number of sub-categories that are analysed to determine a company's long term sustainability.

2.12.1.1 DJSI Definition of Sustainability

The DJSI definition of sustainability states that a company's strategy and management and its performance in dealing with opportunities and risks deriving from economic, environmental and social developments can be quantified and used to identify and select leading companies for investment purposes. The DJSI states that companies displaying high levels of competence in addressing global and industry challenges in the following areas: (www.sustainability-index.com/06/sustainability/corpsustainability.html)

- Strategy

The DJSI defines strategy as the integration of long-term economic, environmental and social aspects into business strategies while maintaining global competitiveness and brand reputation.

The importance of global competitiveness and specifically brand reputation are emphasized. The importance of brand reputation is discussed elsewhere in this thesis. A number of authors support the importance of a good company reputation because a good reputation enhances trust and confidence in the organisation (Dowling, 2004: Page and Fearn, 2005: Plummer, 2005: King II 2002).

- Financial

On their web-site DJSI defines the financial element as the meeting of shareholder demands for sound financial returns, long term economic growth, open communication and transparent financial accounting. The Brundlandt Report (1987) supports the view that long-term financial performance is important, but adds that the profitability of the company enables the company to contribute to the sustainability of the planet. The Brundlandt report (1987) does not acknowledge the importance of the shareholder, but also does not ignore it (Brundlandt Report, 1987).

David Lea (2004), amongst others argues that the corporation should be managed for the benefit of all stakeholders. The DJSI, however, view the shareholder as an important enough stakeholder group to justify a sub-category on its own.

- Customer and Product

The DJSI acknowledges the importance of customer relationship management and product and service innovation which use financial natural and social resources in an efficient and effective manner.

- Governance and Stakeholder

The DJSI defines this sub-category as setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting.

This particular category has received a lot of publicity after the Enron and Worldcom debacles. The King II Report (2002) encourages and almost legislates the importance of good governance and stakeholder involvement. The King II Report (2002) argues that Boards of companies have to consider not only the regulatory aspect, but also industry and market standards, industry reputation, the investigative media and the attitudes of customers, suppliers, consumers, employees, investors and communities.

- Human

The DJSI defines the Human element as managing human resources to maintain workforce capabilities and employee satisfaction through best in-class learning and remuneration and benefit programs. This view is in line with the Kaplan and Norton (1996) principles that emphasise the importance of human develop in creating capabilities for the future.

The DJSI summarises Corporate Sustainability as being an investable concept which will have a positive effect on the societies and economies of both the developed and developing world.

2.12.1.2 DJSI Information Sources

The DJSI employs different methodologies for the assessment of a company's sustainability. These are discussed in the following paragraphs.

- Questionnaires

Questionnaires are sent to the CEO's of companies and returned for analysis.

- Company Documentation

Documents analysed include the following:

Sustainability reports

Environmental reports

Health and safety reports

Social reports

Annual financial reports

Special reports and other sources of company documentation.

- Personal contact with companies

Analysts personally contact individual companies to clarify any open points that may have been found in any of the reports that were analysed. It is clear that a lot of effort is made to gather the required information regarding the overall performance of the company. The information is then analysed and the different dimensions are given criteria and weightings. The criteria and weightings are discussed in the following paragraph.

2.12.1.3 DJSI Criteria and Weightings

Corporate Sustainability Assessment Criteria

Dimension	Criteria	Weighting
Economic	Codes of Conduct/ Compliance/ Corruption & Bribery	5,5
	Corporate Governance	6,0
	Risk and Crisis Management	6,0
	Industry Specific Criteria	Depends on Industry
Environment	Environmental Performance (Eco Efficiency)	7,0
	Environmental Reporting*	3,0
	Industry Specific Criteria	Depends on Industry
Social	Corporate Citizenship/Philanthropy	3,5
	Labour Practice Indicators	5,0
	Human Capital Development	5,5
	Social Reporting*	3,0
	Talent Attraction and Retention	5,5
	Industry Specific Criteria	Depends on Industry

Note: * Criteria assessed based on publicly available information only.

The weightings can be summarised as follows:

- Economic: 35%
- Environmental 20%

- Social 45%

- Total: 100%

(This excludes the industry specific criteria)

2.12.1.4 DJSI Summary

The DJSI adopts the three main elements of the triple bottom line being the economic, environmental and social elements. However, the DJSI lists Corporate Citizenship/Philanthropy and Human Capital Development and Retention as sub-categories of social performance. In addition Corporate Governance and Risk Management become important sub-categories of financial performance. The significant finding that one makes from the DJSI criteria is that sustainability of the company is deemed to be important as a pre-condition for its contribution to the sustainability of the planet.

2.12.2 The Australian SAM Sustainability Index (AuSSI)

The AuSSI is a direct copy of the Dow Jones Sustainability Index and all the criteria and scoring are exactly the same. It is not justified to repeat the exact content of the previous paragraph.

South African companies have also been subjected to the introduction of a “sustainability index”. This is discussed in the next paragraphs.

2.12.3 The Johannesburg Securities Exchange Social Responsibility Investment Index. (JSE SRI)

The Johannesburg Securities Exchange launched the Social Responsibility Investment (SRI) index in May 2004. In the launch document, issued in October 2003, the SRI index was positioned as a means to identify those companies listed on the JSE that demonstrate socially responsible behaviour and hence for companies to truly embrace the triple bottom lines of environmental economic and social sustainability. In a later paragraph the document states that the SRI is a means to identify companies listed on the JSE that integrate the principles of the triple bottom line into their business activities (JSE, 2004: 2). The explanation continues by stating that “a company must address each of the three pillars, economic, social and

environmental, if it is truly to be said to have integrated sustainability into its business practices” (JSE, 2004: 2).

The SRI is structured along the three pillars of the triple bottom line and the view of SRI is that if a company addresses all three pillars it is deemed to have truly integrated sustainability into its business practices. SRI defines the three pillars as follows:

2.12.3.1 Environmental Sustainability

SRI states that all companies have an impact on environmental resources and therefore need to develop strategies to measure and monitor their impacts and implement systems that ensure that these resources are used in a sustainable manner.

2.12.3.2 Economic Sustainability

SRI (2004: 3) defines this element as “Companies need to be able to adapt to macro-economic driving forces through balancing the use of resources against short term profits and should further be focused on working towards long term growth and sustainability through measuring their economic impacts in their sphere of influence.”

2.12.3.3 Social Sustainability

The SRI defines social sustainability as: Companies need to demonstrate core business strategies that are linked to internal management systems and key performance indicators aimed at promoting social upliftment, development and poverty reduction of its staff and the communities in which it operates. In addition, emphasis also needs to be placed on diversity, employment equity, black economic empowerment, fair labour practices, employee health and safety, development of human capital and managing the impact of the HIV and Aids pandemic on the company’s activities.”

2.12.3.4 Corporate Governance

The SRI also includes Corporate Governance as an important component of its index. The SRI argues that Corporate Governance is the foundation in which the triple bottom line is embedded. For that reason, the topic is treated separately.

2.12.3.5 Guidelines to Conduct

The SRI states that companies that wish to be included in the index should integrate the principles of the triple bottom line and companies should demonstrate how the principles are implemented. The criteria are intended to measure companies in the following business areas:

- Policy and strategy: Companies must demonstrate policies and strategies for implementing the principles into their business activities.
- Management systems and performance: Companies must have management systems in relation to the principles and should monitor and measure performance against these.
- Reporting: Companies should engage stakeholders and report regularly, clearly and comprehensively.

These guidelines are applied to each of the pillars as well as Corporate Governance and most questions relate to the company's ability to demonstrate policy, strategy or commitment to the different criteria.

2.12.3.6 SRI Information Sources

The SRI relies upon questionnaires that are completed by companies and then submitted to a company that conducts the analysis. Companies are allowed to attach documentation that may be used to support statements made in the questionnaire.

2.12.3.7 Weightings

The answers to the questionnaires are scored in the following manner:

Score	Level of Adoption/Implementation
0	None There is no policy/system in place and only sporadic or ad-hoc activity takes place
1	Partial or efforts There is a policy/system in place, but does not meet the level set by the criteria; or Evidence exists that regular/systematic efforts are being made to implement a policy/system
2	Full/Complete There is a policy/system in place which fully meets the level set by the criteria.
3	Exceeding There is a policy in place which exceeds the level set by the criteria, or which is certified or registered in terms of an accepted international or other standard.

2.12.3.8 Qualifying Scores

To qualify for inclusion in the SRI Index, companies have to achieve minimum scores in each of the pillars. The scores are as follows:

- At least 16 in relation to Corporate Governance,
- At least 25 in relation to social sustainability practices,
- At least 21 in relation to economic sustainability practices.
- In relation to environmental sustainability practices,
 - A high impact company should achieve at least 22 and

- A medium impact company should achieve at least 16 or
- A low impact company should achieve at least 9.

There are further requirements in a way that companies have a minimum number of core criteria where at least 1 point should be scored.

2.12.3.9 SRI Index: Conclusion

The SRI Index appears to be focused on socially responsible investment and the triple bottom line. The SRI intends to move more towards performance in the areas of TBL in the future, where at the moment it is more focused upon the existence of policies and commitments. The indicators listed in the SRI Index are biased towards the impacts that the company has on the environment and the social relationships. There is reference to the upliftment of employees (SRI, 2003: 15).

The topics included in the questionnaire relate to the Global Reporting Initiative and include some South African national agenda items like Black Economic Empowerment and HIV and AIDS. Other national agenda items like support for South African businesses and energy savings are absent from the index.

In contrast to the JSE SRI, the Dow Jones Sustainability Indexes are aimed at listing the top companies in the world that they evaluate as the most sustainable. The Dow Jones Sustainability Index (DJSI) defines corporate sustainability as a business approach that creates long-term shareholder value by embracing opportunities and risks deriving from economic, social and environmental developments. The definition continues to state that “Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market’s potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks” (Dow Jones Sustainability Indexes: Web-site).

A company is selected as a member of the DJSI after completion of a questionnaire and submission of actual company Annual Financial and Sustainability reports. The company’s performance is monitored on a daily basis and any negative publicity can mean the disqualification of the company as a member. The assessment of the

annual reports and the daily publicity, is a large incentive for a company to remain in the position of a sustainable company. It is interesting to note that the presence of a sustainability report is not a pre-requisite for inclusion in the JSE SRI index. More interesting is that of the 58 members of the SRI, 19 are registered as having issued a sustainability report using the GRI guidelines (www.Globalreporting.org).

It appears that the JSE SRI Index still has to develop into an index that has credibility amongst its members. At this early stage, the process followed to include companies in the index is in a developmental stage.

2.12.4 World Economic Forum (WEF)

In 2005, the WEF launched its own Global 100 most sustainable corporations in the world. Their simple definition of the most sustainable companies is that those companies are sustainable in the sense that they stand the best chance of being around in 100 years because of their demonstrated performance and strategic ability to manage the triple bottom line (www.global100.org).

It is significant to note that Great Britain has 31, the USA 19 and Japan 5 companies included in the list. South Africa and Australia both have only 1 company listed. The rest are all scattered across the globe.

2.12.5 Summary

The definitions of sustainability and the triple bottom line and the way that they are related or are supposed to be related needs to be clarified. In clarification of the terms and their meanings, one would be able to develop definitions for the different elements of sustainability. It is possible that once the picture becomes clear, that the triple bottom line and its definition may be inadequate to be used as a synonym of sustainability. The next paragraphs investigate the meaning of each term used in the sustainability context and at the end of the discussion the relationship between the terms will be addressed.

2.13 Sustainability Definitions

Sustainability is a complex and confusing concept which lacks consensus and direction (Faber, Jorna and van Engelen, 2005). The terms sustainability and triple bottom line are often used as synonyms, but at the same time authors have tried to stretch the definitions to include topics like social responsibility and corporate

citizenship as synonyms for sustainability (Jayne, 2002: Kearins, 2004: Fraser, 2005). Others argue very strongly that triple bottom line and sustainable development are not synonyms (Gray and Milne, 2002. www.cpaaustralia.com, 2004). Hussey, Kirsop and Meissen (2001) summarise the confusion by arguing that "There is no single consensus definition of sustainable development. " Sustainability is defined differently by different groups to suit their own purposes.

For the purpose of this study it was important to look at the different ways that the term sustainability is used in the literature and then to compare that to the way that companies employ the terms. The concept of sustainability has its origins in the term sustainable development which is discussed in the next paragraph.

There are two elements common to many business definitions of sustainability. First, there is the term sustainable development which has its origins in the Brundlandt Report which was presented to the National Assembly of the United Nations in 1987. The Brundlandt Report (1987) defines sustainable development as "development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs." The strategy that was presented for sustainable development aimed to promote harmony among human beings and between humanity and nature. The report (Brundlandt, 1987: 74) states that sustainable development requires:

- A political system that secures effective citizen participation in decision making.
- An economic system that is able to generate surpluses and technical knowledge on a self reliant and sustained basis.
- A social system that provides for solutions for the tensions arising from disharmonious development
- A technological system that can search continuously for new solutions
- An international system that fosters sustainable patterns of trade and finance, and
- An administrative system that is flexible and has the capacity for self-correction.

The requirements for sustainable development were conventionally granted by governments, but lately, has become increasingly the domain of corporate activity. The Brundlandt Report (1987) does not distinguish between the role of government

and business which implies that business has a major role to play in sustainable development.

The second common element of sustainability comes from UK consultant John Elkington's (1998) notion of the triple bottom line where sustainability is seen to incorporate environmental, social and financial concerns (Kearins, 2004). This element is discussed in the next chapters.

The meanings of the different terms are relatively loose which has an impact on the ability of companies to implement and report on their performance in terms of sustainability (van Marrewijk, 2003; Kearins, 2004; Munshi 2004).

This role and impact of business can only become clear once the definition of sustainable development and its synonyms are better understood.

A number of components of sustainability will be analysed in the paragraphs that follow.

2.13.1 The Components of Sustainability

2.13.1.1 The Triple Bottom Line

The concept of the triple bottom line (TBL) was first documented by John Elkington in 1994 in his book "Cannibals with forks". Elkington defined the triple bottom line as "focusing on economic prosperity, environmental quality and social justice" (Elkington, 1998: 70). The King II Report (2002) mentions the impact that the Brundlandt Report (1987) had on the definition of the Triple Bottom Line (TBL) as the Brundlandt Report (1987) stated that the planet had to be protected for future generations. The Brundlandt Report (1987) does not use the term triple bottom line, but refers to sustainable development and the needs for it.

The earlier definitions of TBL were biased towards those issues that have an environmental impact. This trend is evident from the reports that companies issued towards the end of the twentieth century. The focus of reports at the time was safety, health and the environment. The economic and social were ignored. David Victor (2006: 94) argues that sustainable development needs to be viewed afresh and that the environmental bias should be dropped. The bias toward the environmental issues still dominate the subject of sustainability and is partly caused by the fact that most

consultants in the field originate from the earlier awareness of environmental impacts.

In Elkington's (1998) publication he also addresses the other elements of a sustainable company and a sustainable world. In this part he adds the social and economic elements that companies can impact upon. In spite of John Elkington's (1998) book and many other publications, it remains difficult to find anything that looks like a careful definition of the concept (Norman and MacDonald, 2004: 245). TBL is the term most used to define the firm's impact on the economic, social and environmental bottom lines. Claims are that if the company performs in all three bottom lines, it will be more successful in its financial bottom line. "The claims can only be plausible if they are defined in vague terms" (Norman and MacDonald, 2004: 246). Norman and MacDonald (2004: 245) express concern over the fact that academics have been reluctant to publish around the subject of TBL and states that it may be because it is difficult to find anything that looks like a careful definition of the concept.

The approach recommended by TBL advocates is that environmental, social and financial impacts are taken into account when corporate business strategy is defined. The idea behind the TBL paradigm is that a corporation's ultimate success or health can and should be measured not just by the traditional financial bottom line, but also by its social/ethical and environmental performance (Norman and Macdonald, 2004: 243).

The definitions of TBL create the impression that companies should focus mostly on issues that are external to the firm, but do affect the ability of the firm to perform. The foundation that was laid by Elkington (1998) has been applied by a number of companies, but has also been used by bodies like the Global Reporting Initiative (GRI) to develop guidelines for reporting. The claims on behalf of TBL are very trepid and suggest little more than that the concept is "an important milestone in our journey toward sustainability" (Norman and MacDonald, 2004: 245).

From the discussion above, the TBL is used as a concept, but Robins (2006) argues that TBL is a reporting mechanism designed to encourage businesses to give closer attention to the whole impact of their commercial activities. Prof Markus Milne (2004) provides a simplified definition when he states: "The triple bottom line involves measuring and reporting economic, environmental and social performance objectives

equally and simultaneously". He continues by stating that the TBL may be a necessary condition for sustainability, but it is unlikely to be a sufficient condition for overall sustainability.

The concept of the triple bottom line emphasises that a company's ultimate success should be measured not only by the traditional financial bottom line but also by its social/ethical and environmental performance (Jayne, 2002: Tschopp, 2003: Norman and MacDonald, 2004: Robins, 2004). The following paragraphs the different elements are discussed in more detail.

- The Economic Bottom Line

A company's bottom line is traditionally defined as the profit figure for a specific reporting period. The traditional "bottom line" is defined as the amount by which the wealth of the owners has been increased by the business, using the funds at its disposal (Flynn, 2003: 20). This expression of profits includes shareholders as the only stakeholders and the maximisation of profits is often viewed as the only purpose that the business has. The definition for the economic bottom line in most publications on the triple bottom line ranges from ones that closely resemble the traditional bottom line to definitions that focus on external value creation.

Elkington (1998: 74) argues that as we move into the knowledge economy, the concept is gradually being extended to include such concepts as human capital and intellectual capital. Business people need to ask themselves whether the demand for the company's products and services are sustainable or whether the company is innovative enough to remain competitive in the longer term (Elkington, 1998: 75). Cheney (2004) defines the financial bottom line as the traditional conclusion of annual reports. Its purpose is to show how the company has benefited its investors. The CPA Australia (website 2004) describes the financial bottom line as the one that includes financial performance, activities relating to shaping demand for products and services, employees compensation, community contributions and local procurement policies. Group of 100 states that economic information goes beyond the traditional measures contained in the statutory financial reporting that is aimed at shareholders and management. In a TBL context, economic information is provided to illustrate the economic relationships and impacts, both direct and indirect, that the company has with its stakeholders and the communities in which it operates.

The Global Reporting Initiative (2002) guidelines recommend that companies include the following in their sustainability reports: direct economic impacts, customers, suppliers, employees, capital sources and the public sector. The guidelines do not ignore the issues of profit and growth, but add to these traditional past performance reporting more future orientated, sustainable business processes.

In most instances, companies limit their reporting on economic performance to that which is published in the traditional annual report. This approach limits the stakeholders in making informed decisions about the company's potential future performance.

- The Social Bottom Line

The subject of the social bottom line includes an element that emphasises the fact that the company operates in an environment that supports it. Business is part of society. The society where it operates can have an impact upon its ability to continue doing business. The question is: What is the role of business in sustaining human capital and social capital? (Elkington, 1998: 86). Elkington defines the social bottom line as the impact of an organisation on people both inside and outside (Elkington, 1998: 87). This impact includes adverse impacts as well as positive, developmental impacts. This impact further includes impacts on and by the company's employees, products and services.

Cheney (2004) defines the social bottom line as the way the company shows how the company has benefited society, an entity including customers, vendors, communities, governments, future generations and everyone else. In contrast the Global Reporting Initiative (GRI, 2002) includes issues like, labour practices and decent work, human rights performance, societal issues and product responsibility. The social bottom line is the one that most companies find difficult to come to terms with as this is the newest of the three bottom lines in terms of being included in reporting processes. In many instances, companies did not deem issues contained in the definitions important.

- The Environmental Bottom Line

The environmental agenda has attracted great attention during the last two decades. The subject has become important due to the awareness created around the

protection of the planet. Many business executives deemed this bottom line to be the priority of mining, chemical and similar types of industries. The banking sector, for example, never understood that they may also have a role to play in protecting the planet. This priority was emphasised by the Department of Minerals and Energy when only certain industries were dependent on their environmental performance for the extension of their permits.

An environmental bottom line would show how the company has contributed to the sustainability of its environment (including the environment of its suppliers, customers, investors, communities and so on) by minimising contamination and ensuring a sustainable inventory of natural resources (Cheney, 2004).

2.13.1.2 Triple Bottom Line Summary

“Authors on the subject argue that the different principles of the triple bottom line are mutually dependent, in that the success of any one of them is contingent on the success of the other two” (Bansal, 2001: 48).

The concept of the triple bottom line not only focuses on the economic value an entity produces but also on its environmental and social impacts. The term is used more as a concept than as an actual title of an entity’s report on environmental, social and economic performance (AICPA 2004).

Norman and MacDonald (2004) raise concerns about the use of the words “Triple Bottom Line”. Their view is that the TBL advocates believe that social and environmental performance can be measured in fairly objective ways, and that firms should use these results to improve their social and environmental performance. Norman and Macdonald are of the opinion that the TBL advocates try to insist that firms have social and environmental bottom lines in just the same way as they have “financial” or “economic” bottom lines. Their doubt is confirmed by the fact that no “common currency” for expression exists. For these reasons they believe that nobody has ever done a calculation on the social bottom line.

The question that can be raised when assessing their views with regard to the TBL is whether it was ever intended to be expressed in the very same way as is customary in pure financial reporting. In other words, is the intention of the TBL approach one

that will allow business to be able to subtract the “*goods*” from the “*bads*” and arrive at a net result?

The data that is worked with in expressing performance in the areas of the economic, social and environmental performance are quite simply not the type of data that can be fed into an income statement-like calculation to produce a final net sum (Norman & MacDonald, 2004: 251). They continue: “The TBL jargon is inherently misleading, the very term itself promises or implies something it cannot deliver.”

Norman and MacDonald (2004) appear to have assessed the terminology of the Triple Bottom Line without approaching the subject from the angle it was supposed to come from. Their approach is to compare the concept to a pure financial reporting reference instead of assessing the issue in terms of its objectives. It is agreed that the triple bottom line description is misleading if one looks at it in isolation without looking at what it attempts to address and report. It must always be borne in mind that the triple bottom line methodology is intended to provide information to a diverse group of stakeholders that all have their own particular interest in the firm.

The book by Elkington (1998), the GRI and many other publications have created an adequate awareness regarding the need to extend the reporting process and to this end many companies issue sustainability reports, yet few have been able to develop a clear definition of sustainability.

Driving companies towards sustainability will require dramatic changes against their performance against the triple bottom line (Elkington, 1998: 70). The sustainability agenda has been understood as an attempt to harmonise the traditional bottom line with emerging thinking about the environmental bottom line. Elkington (1998) now defines this triple bottom line as a company’s performance in the areas of the economic, social and environmental bottom lines.

Sustainability is often confused with the triple bottom line and organisations that adhere to the triple bottom line declare themselves as champions of sustainability or sustainable development. “While the triple bottom line may be a necessary condition for sustainability, it is unlikely to be a sufficient condition for overall sustainability” (Milne, 2004: 1).

In addition to the TBL concept, business and academics use other “synonyms” for sustainability. Corporate Social Responsibility (CSR) is often used as a synonym for Corporate Sustainability (van Marrewijk, 2003). CSR is analysed in the next paragraph.

2.13.1.3 Corporate Social Responsibility (CSR)

Milton Friedman (1970) stated that corporations have only one objective which is to maximise profits for its shareholders. In this controversial article, Friedman denied that corporate executives had any moral duty to relax the conditions of profit maximisation on behalf of the wider interests of society. He argues that the corporate executive is an agent of the individuals that own the corporation and his primary responsibility is to them. Barry (2000) counters the argument when he argues that capitalism is not a self-justifying system but requires validation from a morality external to it. Barry (2000) continues his argument by stating that to gain moral and legal support; business must be socially responsible in a way that exceeds conventional morality.

The emergence of the social responsibility concept assigns a new role and purpose to business (Glassman, 2006). Glassman (2006: 45) argues that “Under a CSR regime, businesses are supposed to embrace corporate citizenship and run their affairs in close conjunction with an array of different stakeholders in order to promote the goal of sustainable development”. Glassman acknowledges that the best antidote to poverty is economic growth, and the best system for solving financial, social and physical ills is competitive free-market capitalism. His view is that social responsibility is a pre-requisite for sustainable development, and he warns that social responsibility should not be an end in itself, but rather a means to an end.

Blowfield (2005) provides a brief definition of CSR when he states that CSR is essentially about how society manages its relationships with wider society. Blowfield does not argue for or against CSR as a contributor to sustainable development or sustainability. His argument supports justification for CSR as a business imperative.

Van Marrewijk (2003) argues that many debates have taken place between business and academics referring to a more humane, more ethical and more transparent way of doing business. He continues to state that a clear and unbiased definition will be needed to lay a strong foundation for the future development of sustainability. Van

Marrewijk (2003) argues that business leaders need this improved definition as the wide array of definitions cause discomfort among business executives. Van Marrewijk (2003) supports “ethical business” as a prerequisite for sustainability.

Corporate social responsibility (CSR) reporting is similar in concept to health, safety and environmental (HSE) reporting but with a broadened emphasis on social matters such as ethical labour practices, training, education and diversity of the workforce and corporate philanthropic initiatives (The American institute of Certified Public Accountants 2004 AICPA). Blowfield (2005: 32) defines CSR as follows: “CSR is about how business manages its relationship with wider society, and that has been an issue for as long as humans have sought to add value through production and trade”.

A socially responsible firm builds trust with its employees and other stakeholders which results in a favourable evaluation of their reputation (Bernhut, 2002: 18). Professor Bansal argues that there are many intangible benefits associated with CSR but until managers can measure these benefits, CSR will remain a marginal activity (Bansal, 2002: 59).

Porter and Kramer (2006) argue that companies are pressurised to think of CSR in generic ways instead of in the way most appropriate to each firm’s strategy. The approaches to CSR are fragmented and disconnected from business and strategy that most opportunities for business to benefit from society are lost. Porter and Kramer express the view that CSR can be much more than a cost- it can be a source of opportunity and competitive advantage. Porter and Kramer (2006: 3) attach a wider meaning to CSR when they intertwine it with corporate citizenship and ultimately sustainability. Although they argue the contribution of CSR to sustainability, they conclude that CSR is strongly imbued with a moral imperative.

The definitions of social responsibility emphasize the moral obligation of business and in most cases illustrate the way that CSR contributes to sustainability if it is part of the company’s strategic direction.

In this journey to sustainability, one must look at the other potential contributors or subsections of sustainability. One of these is the concept of corporate citizenship and will be discussed in the next section.

2.13.1.4 Corporate Citizenship

The Centre for Corporate Citizenship at Boston College defines corporate citizenship as the business strategy that shapes the values underpinning a company's mission and the choices made each day by its executives, managers and employees as they engage with society (The Center for Corporate Citizenship at Boston College, 2005).

They continue by stating that corporate citizenship in the 21st century is driving a major transition from a model that allowed unconnected activities- such as compliance with governance and ethical laws, endorsing global standards promoting strong philanthropic and volunteer activities- to serve as surrogates for citizenship. The current global challenges of transparency, stakeholder expectations, accountability, trust and reputation require a strategic approach endorsed at the highest levels of the company and integrated and aligned throughout the business operation (The Center for Corporate Citizenship at Boston College, 2005).

The Centre identifies three core principles that define the essence of corporate citizenship and believes every company should apply them in a manner appropriate to its distinct needs:

- **Minimise harm:** Work to minimise the negative consequences of business activities and decisions on stakeholders including, customers, communities, ecosystems, employees, shareholders and suppliers. Examples include: operating ethically, supporting efforts to stop corruption, championing human rights, preventing environmental harm, enforcing good conduct from suppliers, treating employees responsibly, ensuring the safety of employees, delivering safe, high quality products, ensuring marketing statements are accurate, etc.
- **Maximise benefit:** Contribute to societal and economic well-being by investing resources in activities that benefit shareholders as well as broader stakeholders. Examples include: participating voluntarily to help solve social problems (such as education, health, youth development, economic development for low income communities, workforce development, among others) ensuring stable employment, paying fair wages, producing a product with social value, etc.
- **Accountability and responsiveness to key stakeholders:** Build relationships of trust that involve becoming more transparent and open about the progress and

setbacks businesses experience in an effort to operate ethically. Create mechanisms to include the voice of stakeholders in governance, produce social reports assured by third parties, operate according to a code of conduct, listen and communicate with stakeholders, etc.

Ultimately, what distinguishes a company's practice of corporate citizenship is expressed by the way in which it delivers its core values. The competitive companies of the future will find how to fundamentally align and embed their core values- including the values that society expects them to hold. Values are becoming a new strategic asset and tool that establishes the basis of trust and cooperation (The Centre for Corporate Citizenship (CCC) at Boston College, 2005).

Boston College CCC (2005) defines corporate citizenship as: "Corporate Citizenship refers to the way that a company integrates basic social values with everyday business practices, operations and policies. A corporate citizenship company understands that its own success is intertwined with societal health and well being. Therefore it takes into account its impact on all stakeholders, including employees, customers, communities, suppliers and the natural environment."

Abshire (2003) finds that most American companies have a commitment to corporate citizenship in spite of the fact that the concept is widely misunderstood and poorly defined. His interpretation of a survey by Boston Centre for Corporate citizenship confirmed that American business viewed the following categories as very important:

- Operating with ethical business practices
- Treating employees well
- Making a profit, paying taxes and providing jobs
- Providing safe and reliable products
- Having a good environmental record, and
- Working to improve conditions in the community

Abshire (2003) argues that the categories stated above, all contribute to a company being a good corporate citizen. Post (2002) went further and urged educators to help students in business management to discover and achieve the noble goal of a sustainable, equitable and free society for all people. Post (2002) adds that all companies require a "license to operate" and this is often contingent on a set of responsibilities to community and country requiring active citizenship. Caldwell

(2004) adds to the argument with the definition that states that citizenship is characterised by employee devotion to organisational best interests, compliance with norms and conscientious performance in pursuing organisational goals.

Boston College Centre for Corporate Citizenship (2005) embarked upon the route of Corporate Citizenship and like many others tried to link Corporate Citizenship with the concept of Sustainability. This linking is followed by many academics including some local South African academics. This linking was not successful, but for companies to be good corporate citizens is a basic contributor to the sustainability agenda.

2.13.1.5 Summary

The definitions listed above all attempt to find an answer to the question of sustainability, yet clarity about the concept remains lacking. The aim of this study remains to develop a simple definition that will reduce the confusion and will encourage more companies to report on their sustainability.

The definitions create confusion regarding what sustainability is and that confusion impacts upon the ability of business to integrate sustainability into their strategies and to issue reports that reflect on the company's actual performance in the area of sustainability. The main issues that require clarification are:

- Does sustainability mean that the company should only contribute to the external environment in which it operates?
- Are there any internal issues that have to be under control to ensure the sustainability of the firm?
- Will the contribution that the company makes toward social upliftment in the environment that surrounds it and its contribution to the protection of the environment guarantee its own sustainability into the future?
- Are any the three components of the triple bottom line more important than the others?

Answers to the questions listed above will provide more clarity on the subject and contribute to the formulation of a definition of sustainability which will guide the development of a reporting framework. To be able to forecast the future sustainability agenda, one must briefly investigate some of the issues that determine the future

direction of the sustainability/triple bottom line agenda. By looking at what can be expected in the future one must also be careful that the thinking is not limited by the definitions of the past nor the guidelines that currently exist. In this manner, it may be possible that the concept of TBL may have to make way for another better description of the sustainable performance of the firm and the way that this will contribute to the betterment of all.

2.14 The Value of Sustainability Reporting

Many well-managed companies have been able to create short and long-term value, yet their share prices have remained flat because they have not been able to tell a compelling growth story (Hart, 2005). At the same time, the demise of some large companies like Enron and Worldcom, companies have suffered a huge loss in public trust and credibility (Plummer, 2005; McCaughey, 2006).

Wheeler and Elkington (2001) argue that communicating effectively with stakeholders is a powerful way of building trust and loyalty and thereby contributing to business performance.

The debate regarding the reasons for a more transparent way of reporting and the value of sustainability is one that is enjoying an increased level of support from most leading companies. At this stage there are those writers that support it and some that don't.

An article called Corporate Storytelling in *The Economist* (11/6/2004) states that Standard and Poor's now recognises "the growing importance of non-financial disclosure in the overall assessment of a company's risk profile". Cheney (2004: 14) likewise states that sustainable development can directly drive or limit value creation and that reporting can help investors distinguish companies that are efficient now and well-positioned to protect their market competitiveness from those that are headed for a bumpy ride.

Judging from media reports and public opinion polls, the level of public trust in corporations is at an all time low. The disruption and loss to workers, investors and communities associated with the recent corporate failures have taken a severe toll on economies and societies. Not only is there a clear sense that corporations have a responsibility to provide a full and more accurate account of their financial situation,

but also that they must make more earnest efforts towards sustainability if they are to win back public support (White 2002).

White (2002: 15) continues: “As they currently stand, financial reports meet certain narrow technical requirements and provide a glimpse of past performance. But what about the future? Where is the information on a firm’s capacity to innovate, train and enrich its human capital, enhance its reputation, strengthen brands, alliances and partnerships? And what about measurement of public trust and the quality of governance? The concept of ‘Triple Bottom Line Reporting’, an assessment of a company’s performance in relation to profit, people and the planet, is increasingly welcomed by financial analysts and investors because it helps them to make better judgments about the true value and prospects of a company across a broader range of assets. Moreover, it enables management to anticipate and exploit opportunities to strengthen the firm’s market competitiveness and boost company transparency”.

A lot of support is found amongst authors regarding the need to inform stakeholders about the future, or long-term sustainability, of the company. Sustainability reporting as it is currently known allows the company to inform stakeholders about the future of the firm. It also allows management an opportunity to become future focused on the issues that create value for the firm.

The conclusion that one arrives at when reading annual reports is whether management views the sustainability of the firm as a pre-requisite for its contribution to sustainable development. Many reports reflect an approach by the company that sustainability or the concept of the triple bottom line is mainly aimed at the environment that is external to the company. As a result of this view, sustainability reports often disregard the need of stakeholders regarding the long-term success of the company. These companies boast about their contribution to the protection of the external environment, as an example, without consideration for the need of stakeholders to be informed about the survival of the company.

The value of sustainability/triple bottom line reporting is advocated by many, but what it actually is and should be reported on remains confusing. What are the practices of sustainability reporting?

2.15 Sustainability Reporting

Wheeler and Elkington (2001: 1) argue that communicating effectively with stakeholders on progress towards economic prosperity, environmental quality and social justice i.e. the triple bottom line will become a defining characteristic of corporate responsibility in the 21st century. Their research in 2001 indicated a move away from the traditional environmental and social report to providing different stakeholders with the right mix of information in the right format at the right time. They witnessed a move away from the 'green glossy' reporting to holistic sustainability reporting based on the triple bottom line (Wheeler and Elkington 2001: 2). Raar's (2002: 181) research, conducted in 2002 among 500 Australian companies found a similar trend to that of Wheeler and Elkington (2001) and witnessed a move away from environmental and social information in reports to information that is more aimed at "external relations in the category of "sustainability". Tschopp (2003) added his voice to the other authors by stating that investors are not solely interested in financial performance but also want to know about the company's performance in the areas of compassion and sustainability.

The subject of TBL is not well defined and most companies have relied upon guidelines to structure their sustainability reports. The most popular guidelines were developed by the Global Reporting Initiative (GRI), the Global Compact and the Sigma Corporation. The common thread that can be identified by all the guidelines is that the concept of the triple bottom line is used to form the structure used in the guidelines.

In this chapter, some of the most popular guidelines will be investigated. The study will not assess any of the American Companies as their company reporting is highly regulated and mostly prescribed by the Sarbanes Oxley Act which does not apply in the rest of the world. The study will also not investigate guidelines that are specific to a specific industry. The example that can be provided is that Basel II applies to the financial services sector and appears not to be sustainability related.

The King II Report (2002: 107) recommends: "Enterprises wanting to develop their stakeholder identification and engagement and non-financial accounting, control and disclosure processes can draw on a growing volume of guidance material, including industry codes of practice, standards, practical method and management tools. Some examples would be:

The work of the Institute for Social and Ethical Accountability in its AA1000 framework which include aspects such as;

- The Global Reporting Initiative (GRI) guidelines
- SA8000 from Social Accountability International;
- OHSAS 18000 occupational health and safety standards;
- ISO 9000 quality management and quality assurance standards; and
- ISO 14000 environmental standards”.

Of all the guidelines recommended by the King II report, the GRI has become the guideline that is globally accepted and most companies use their guidelines for reporting purposes. The only other guidelines that are used are the Global Compact and some British companies use Sigma guidelines. In this study the GRI, Global Compact and Sigma will be investigated.

Current sustainability reports from many corporates tend to treat the economic element as a poor cousin to the environmental and social elements. The main reason for this is that companies still view the traditional financial reports as adequate information regarding economic performance. The guidelines and standards that are supposed to provide guidance on the topic of reporting confuse the reporter and are often biased toward the environmental and social impacts.

The one thing that is missing from all the definitions and guidelines is a definition of the means of determining whether our businesses are sustainable or not. Authors on the subject of sustainability have avoided the question whether the sustainability of the firm is a pre-requisite for long term sustainability of the planet. Existing guidelines favour reporting on the external impact of the company. PricewaterhouseCoopers (PWC) (2002) warn that companies that fail to become sustainable- that ignore the risks associated with ethics, governance and the triple bottom line of economic, environmental and social issues- are courting disaster. The report from PWC came to the conclusion that the activities of a company become sustainable when they assess their business strategies in terms of the societal or financial risks and opportunities associated with the new form of corporate responsibility as defined by

the triple bottom line. The report concludes that many companies struggle to define what sustainability means to their business.

The word sustainability remains ambiguous and politically charged, particularly within the lexicon of business. When, as is commonly the case, the term is limited to encompass environmental management or social equity, sustainability is often perceived to be at odds with fiduciary responsibility and unlinked to business strategy. Funk (2003: 65) approaches the subject from a stakeholder perspective and defines the sustainability of the organisation as: "A sustainable organisation is one whose characteristics and actions are designed to lead to a desirable future state for all stakeholders" (Funk 2003: 65, 66). Funk (2003) continues and provides some examples: For investors it would include sustained revenue growth over the long term. For the talent market it would include workforce diversity. Regulators and the community at large value environmental stewardship and social responsibility. Consumers seek useful reliable price efficient products and services. From the view of employees of the company itself, a desirable future state maintaining feasibility and profitability as well as managing risk while promoting innovation. "Companies that actively respond to a wide range of sustainability indicators are better able to create value for all stakeholders over a long term" (Funk, 2003: 66). Funk's definition differs from most of the others as it approaches the subject from the point of view that the organisation has to be sustainable into the long term by itself and also contribute to the sustainability of its environment and the communities within which it operates.

A critical element of sustainability reporting is that the stakeholders of the business need to be identified and their information requirements have to be taken into account when a sustainability report is planned (Wheeler and Elkington, 2001: Raar 2002: Funk, 2003).

Sustainability reporting is about stakeholders. The discussions by Funk develop a need for the business to understand the stakeholders of the company and their requirements, but do companies understand their stakeholders?

The whole stakeholder theory has to be understood if the company wants to succeed with its reporting. The purpose of reporting, after all, is to provide information to stakeholder groups that are internal as well as external to the firm. In the past, the only stakeholders that were targeted by the firm were the shareholders. That

situation has changed as many more stakeholders have an impact upon the company's ability to perform.

The recommended guidelines are generic to all companies across the globe and for that reason does not take into account any issues that are specific to a particular country. The issues that are National Agenda issues are specific to a country and cannot be applied globally. In South Africa, for instance, Black Economic Empowerment is one of the National Agenda items and should be taken into account and reported on as stakeholders have a need to understand what the company is doing in that regard. However, in this section of the study the international guidelines will be investigated.

The question that needs to be answered is whether Sustainability reports should include comments regarding the sustainability of the company as well as its impacts upon its external environment. Funk (2003) makes a business case for the inclusion of comments regarding the sustainability of the firm as stakeholders have a need to know this.

2.16 International Sustainability Reporting Guidelines

2.16.1 Global Reporting Initiative (GRI)

The GRI developed guidelines that were released in 2002, were accepted as a global reporting framework. The guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social (also known as triple bottom line) dimensions of their activities, products and services. The aim of the guidelines is to assist reporting organisations and their stakeholders in articulating and understanding contributions of the reporting organisations to sustainable development (GRI, 2002: 1).

The GRI recommended report content includes the following;

- Vision and Strategy

This section of the report encompasses a statement of the organisation's sustainability vision and strategy, as well as a statement from the Chief Executive Officer.

- Profile

This section provides an overview of the reporting organisation and describes the scope of the report. Thus, it provides readers with a context for understanding and evaluating information in the rest of the report.

- Governance Structure and Management Systems

This section provides an overview of the governance structure, overarching policies, and management systems in place to implement the reporting organisation's vision for sustainable development and to manage its performance.

- GRI Content Index

This section presents a table identifying the location of each element of the GRI content, by section and indicator.

- Performance Indicators

This section lists the core and additional performance indicators for GRI-based reports. Core indicators are recommended as reporting indicators and additional are left at the discretion of the reporting company.

The performance indicators are grouped under three sections covering the economic, environmental, and social dimensions of sustainability. The groupings are subdivided as follows:

Economic Indicators

- Customers
- Suppliers
- Employees
- Providers of Capital
- Public Sector
- Indirect Economic Impacts

In total 10 core and 3 additional individual indicators are recommended under this heading.

Environmental Performance Indicators

- Materials
- Energy
- Water
- Biodiversity
- Emissions, Effluents and Waste
- Suppliers
- Products and services
- Compliance
- Transport
- Overall

A total of 16 core and 19 additional indicators are recommended under this heading.

Social Performance Indicators

- Labour Practices and Decent Work
- Employment
- Labour/Management Relations
- Health and Safety
- Training and Education
- Diversity and Opportunity
- Human Rights
- Strategy and Management
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Child Labour
- Forced and Compulsory Labour
- Disciplinary Practices
- Security Practices
- Indigenous Rights
- Community
- Bribery and Corruption
- Political Contributions
- Competition and Pricing

- Product Responsibility
- Customer Health and Safety
- Products and Services
- Advertising
- Respect for Privacy

The GRI Guidelines (2002: 36) divide the Social dimension into four different categories namely: Labour Practices, Human Rights, Society and Product Responsibility. These categories are in turn detailed into further aspects as follows:

Table2.1: GRI: Social Category and Aspects

Category	Aspect
Labour Practices	<ul style="list-style-type: none"> ▪ Health and Safety ▪ Training and Education ▪ Diversity and Opportunity
Human Rights	<ul style="list-style-type: none"> ▪ Strategy and Management ▪ Non-discrimination ▪ Freedom of association ▪ Child Labour ▪ Forced and compulsory labour ▪ Disciplinary practices ▪ Security practices ▪ Indigenous rights
Society	<ul style="list-style-type: none"> ▪ Community ▪ Bribery and Corruption ▪ Political contributions and ▪ Competition and Pricing
Product responsibility	<ul style="list-style-type: none"> ▪ Customer health and safety ▪ Products and services ▪ Advertising ▪ Respect for privacy.

Each of the aspects is broken down into the specific performance indicators that companies are expected to report upon. The GRI guidelines recommend 24 Core and 25 additional performance indicators for companies to report on. Of this total of 49 performance indicators, 17 are related to employee issues. In this study, the

employee related aspects have been excluded from the Social performance section due to the fact that most companies allocate a separate section for employee matters in their reports.

Under the Social heading there are 24 core and 25 additional performance indicators. The balance between the different sections of the indicators can be summarised as follows:

Table 2.2: Summary of GRI Indicators

Section	Core Indicators	Percentage of Total Core	Additional Indicators	Percentage of total Additional	Total number of indicators	Percentage of grand total
Economic	10	20%	3	6,3%	13	13%
Environment	16	32%	19	40,4%	35	36%
Social	24	48%	25	53,3%	49	51%
Total	50	100%	47	100%	97	100%

The total balance favours the social indicators. The economic indicators are under represented and no indication of reasons for this imbalance is given. It must also be borne in mind that many industries have very little impact upon the environment and for this reason exacerbates the imbalance that is already evident. A possible reason for this can be that the traditional annual report already contains most of the economic performance information.

2.16.2 The Global Compact

United Nations Secretary-General Kofi Annan first proposed the Global Compact in 1999 (The Global Compact, 2003). The Secretary-General invited business leaders to join an international initiative-The Global Compact- that would bring companies together with UN agencies, labour and civil society to support nine universal principles in the areas of human rights, labour and the environment.

One of the core strengths of the Global Compact is its voluntary nature and its recognition of the value of continuous improvement. But a voluntary approach loses all integrity and credibility if it cannot demonstrate progress (Fussler, Cramer and van der Vegt, 2004: 201). The guidelines state that if companies do not a report on their progress for two years in a row they will be regarded as being inactive until they

submit their next report (Global Compact Guidelines, 2003: 1). This statement in itself creates some pressure on companies to issue reports regarding their progress.

The nine principles of the Global Compact are:

- Human Rights
 - Principle 1: Businesses are asked to support and respect the protection of international human rights within their sphere of influence; and
 - Principle 2: make sure their own corporations are not complicit in human rights abuses.
- Labour
 - Principle 3: Businesses are asked to uphold the freedom of association and effective recognition of the right to collective bargaining;
 - Principle 4: the elimination of all forms of forced and compulsory labour;
 - Principle 5: the effective abolition of child labour; and
 - Principle 6: the elimination of discrimination in respect of employment and occupation.
- Environment
 - Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;
 - Principle 8: undertake initiatives to promote greater environmental responsibility; and
 - Principle 9: encourage the development and diffusion of environmentally friendly technologies.

The Global Compact Office introduced a new policy on Communication on Progress in 2003. This policy asks participants to communicate with their stakeholders on an annual basis about progress in implementing the Global Compact principles through their annual reports, sustainability reports, other prominent public reports, websites and/or other communications channels. Essential elements of the communication include three elements:

- A statement of continued support for the Global Compact in the opening letter, statement or message from the Chief Executive Officer, Chairman or other senior executive,
- Description of practical actions that participants have taken to implement the Global Compact principles during the previous fiscal year.
- Measurement of outcomes or expected outcomes using, as much as possible, indicators or metrics such as those developed by the Global Reporting Initiative.

Although some of the nine principles have been incorporated into the GRI reporting guidelines, the emphasis of the Global Compact differ in certain instances for example the reference to environmental friendly technologies. The impact of this difference is that reporting companies have to add the principles to their normal sustainability reporting performance indicators.

2.16.3 AA1000 Assurance Standard

The AA1000 (1999) Assurance Standard is a generally applicable standard for assessing, attesting to, and strengthening the credibility and quality of an organisation's sustainability reporting, and their underlying processes, systems and competencies. It provides guidance on key elements of the Assurance process. The AA1000 (1999) is therefore not a reporting guideline, but a guide to assess the quality of a firm's sustainability report.

- Key Characteristics

The AA1000 (1999) Assurance Standard's key characteristics are that:

The standard is used to assess whether the report covers the full range of organisational performance, i.e. 'Sustainability Performance'. In order to assess the report, the report will be evaluated against the following items. It assesses whether the report:

- Focuses on the materiality of subject matter to Stakeholders, as well as its accuracy.
- Examines the completeness of an organisation's understanding of its own performance and impacts, and associated Stakeholder views.
- Assesses Reporting Organisation's responsiveness to Stakeholders, and in doing so interprets Reporting as part of an ongoing engagement with them.
- Provides a forward-looking approach that indicates how able an organisation is to carry out stated policies and goals, as well as to meet future standards and expectations.
- Establishes the basis for public Assurance statements that build the credibility of public sustainability reports.
- Supports and integrates approaches to Assurance using multiple providers, approaches and standards, including specific compatibility with the GRI Sustainability Reporting Guidelines.
- Applies to different types and sizes of organisations and Assurance providers from diverse geographical, cultural and social backgrounds.
- Requires disclosure by Assurance providers covering their competencies and relationships with the reporting organisation (i.e. client).

In summary, the AA1000 Assurance standard (1999) supports assurance (whether made public or not) of Reporting that adheres to specific standards and guidelines and is customised by the Reporting Organisation. It is specifically designed to be consistent with, and to enhance the GRI Sustainability Reporting Guidelines (2002) as well as other related guidelines.

2.16.4 Sigma Guidelines

The Sigma Guidelines (2003) are a very comprehensive set of guidelines that builds upon the other guidelines and provides extensive detail regarding the way and content that should be used in the preparation of reports. Sigma is also a lot more focused upon performance than the other guidelines. The Sigma Guidelines rank performance against targets that are set for sustainable development as most important.

The Sigma project acknowledges the wide use of the triple bottom line as describing the concept of sustainable development, but build on this base to develop a framework that is based upon is aimed at protecting and enhancing five types of capital. These types of capital are defined as follows:

- Natural Capital

This type of capital means the natural resources (energy and water) and processes that are needed by organisations to produce their product and deliver their services. This includes sinks that absorb, neutralise or recycle wastes; resources, some of which are renewable (e.g. timber, grain, fish and water), whilst others are not (e.g. fossil fuels); and processes, such as climate regulation and the carbon cycle, which enable life to continue in a balanced and healthy way (Sigma Guidelines, 2003: 16).

- Human Capital

This type of capital incorporates the health, knowledge, skills, intellectual outputs, motivation and capacity for relationships of the individual (Sigma Guidelines, 2003: 17).

- Social Capital

This type of capital is any value added to the activities and economic outputs of an organisation by human relationships, partnerships and co-operation. Social capital includes, for example, networks, communication channels, families, communities, businesses, trade unions, schools and voluntary organisations as well as cultural and social norms, values and trust (Sigma Guidelines, 2003: 18).

- Manufactured Capital

This type of capital refers to material goods and infrastructure owned, leased or controlled by an organisation that contribute to production or service provision, but do not become embodied in its output. Examples include: tools, technology, machines, buildings and all forms of infrastructure (Sigma Guidelines, 2003: 19).

- Financial Capital

This type of capital reflects the productive power and value of the other four types of capital and covers those assets of an organisation that exist in a form of currency that can be owned or traded, including (but not limited to) shares, bonds and banknotes (Sigma Guidelines, 2003: 20).

- Summary

Although the Sigma Guidelines (2003) are very detailed in terms of process definition they do not provide specified performance indicators that companies need to report on. This is left to the company to define during their strategic planning process. The process to be followed is well described, but the detailed indicators are left to the company. This makes it difficult to compare one company to the next, but their emphasis on performance allows better comparisons to progress made from year to year.

The weakness of Sigma Guidelines (2003) is that the traditional value chain, which will always include customers and suppliers as most important elements in the survival of a company, are not viewed as important. Although the authors of the guidelines state that the guidelines were developed in consultation with stakeholders, the stakeholder groups that were included are not mentioned. This weakness does not only reflect itself in the Sigma Guidelines, it can be traced back to Global Compact as well as GRI.

The Sigma Corporation has also developed a number of business “tools” that are very useful in the development and implementation of a sustainability reporting strategy in a company. The guidelines are extensive and can be viewed as somewhat ambitious for a first time reporter.

2.16.5 Price Waterhouse Coopers (PWC) Guidelines

When investigating sustainability reporting guidelines, it is important to also look at some of the large auditing companies and the way they advise their clients. PWC, in particular, have developed guidelines that they issue to their clients. The PWC approach is based upon the value that a company creates in a number of ways.

The value reporting framework developed by (PWC 2004) identified four critical blocks of information that are common to all in industries. The blocks are classified as follows:

- Market Overview:
 - Competitive environment
 - Regulatory environment
 - Macro-economic environment

- Strategy:
 - Goals and objectives
 - Organisational design
 - Governance

- Value Creating Activities:
 - Customers
 - People
 - Innovation
 - Brands
 - Supply chain
 - Environmental ethical and social

- Financial Performance:
 - Financial position
 - Risk profile
 - Economic performance
 - Segmental analysis

- Accounting policies

PWC (2004: 9) argues that by linking these elements of performance in a coherent fashion allows the evaluation and comparison of a company's performance and the differentiation of a genuinely well-managed company from one that can merely "talk the talk" (PWC, 2004: 9). PWC supports the view that the company is faced with more scrutiny by a larger number of stakeholders and that the firm's main objective is to create value for those stakeholders if the firm wants to survive and grow.

Although many guidelines that include many recommended performance indicators exist, it remains impossible for any company to report on all the recommended topics. If any company wished to report on all the topics the reporting process will become too cumbersome and no stakeholder will ever read all the information provided. The infrastructure required by firms to measure all the performance areas and then to report on them has also become a resistance from many companies to issue sustainability reports. Many company executives have simply refused to report on all the performance areas recommended and others have decided to issue reports that resemble mere marketing puffery.

A significant observation from the different guidelines is that GRI adopts a triple bottom line framework whereas the Global Compact focuses on Human Rights, Labour and Environment. Global Compact does not include economic issues at all. The Sigma Guidelines and the PWC guidelines are focused toward value creation and performance. They also use a different framework which includes elements of the triple bottom line.

From the discussion above, it becomes clear that the only common thread among all the guidelines is that the reporting is aimed at corporate communication with stakeholders that describes the company's approach to managing one or more of the economic, environmental and/or social dimensions of its activities and through providing information about these dimensions.

This study aims to analyze this situation and to establish which of the recommended elements/performance indicators are used by leading companies.

2.17 Conclusion

This chapter investigated the literature with respect to the origins and definitions of sustainability. The position that sustainability occupies in to-days enterprise was also approached. The conclusion that one arrives at from this is that sustainability has a number of sub-sections that contribute to the sustainability of the firm within the environment where it operates. Most important in this regard is that different stakeholder groups have an effect on the company's ability to perform. All these issues raise the importance of sustainability to the strategic planning level of the company's existence. The result of this is that the senior executives of the company have to include the issue of sustainability into its strategic planning process.

Having addressed the factors and definitions that contribute to the sustainability agenda, it is important to also investigate the sustainability reporting guidelines that currently exist. The next chapter will investigate the guidelines and identify the shortcomings of the different institutions.

Chapter 3

3 Research Methodology

3.1 Introduction

There is little objective evidence that the reliability of financial reporting has improved over the last 30 years, despite many attempts to do so. The corporate responsibility report is rapidly becoming a valuable source of detailed information-in addition to annual reports – for all stakeholders (McCuaig, 2006). Stakeholders want to have more disclosure regarding non-financial performance, more forward looking information and more information about intangible assets (Upton, 2001).

Sustainability reporting is aimed at addressing some of the shortcomings of traditional financial reporting. The popularity of sustainability reporting is on the rise, but determining what and how it should be reported is still problematic for most large companies. McCuaig argues that many companies and Financial Executives are seeking the development of assurance standards to guide independent opinions on reporting. He continues to state that corporate reporting frameworks need to be created (McCuaig, 2006: 62).

Annual reports that are issued by listed companies have traditionally included only the financial results that reflect past performance. During the last number of years, leading companies have started to include sustainability reports in the annual reports or as a separate report that is issued at the same time as their annual financial reports. The topic of sustainability reporting is still in its infancy and not much has been written about it. The researcher has been associated with the topic for the last five years and has been exposed to the practical difficulties that companies encounter when considering the implementation of sustainability reporting.

Sustainability reporting is new to most companies across the world. This new type of reporting is not mandatory for any company, yet it has become an addition to traditional annual reporting for many leading companies. The requirements for traditional corporate reporting are largely prescribed in contrast to sustainability reporting that is voluntary.

This growing use of sustainability reports to provide stakeholders with more information has many limitations that may threaten the future of this practice. A careful definition of the concept is lacking and different supporters of triple bottom line/sustainability conceive it in a variety of ways (Wayne and MacDonald, 2004). Most authors have avoided the attempt to define the concept and the academics have also refrained from taking a position on the concept. The confusion that exists about the concept and what should be included in reports needs clarification before the concept can be entrenched into a meaningful communication method that will get closer to meeting the needs of different stakeholder groups.

The question asked by companies in most cases crystallizes into: "What do we report and how?" The concept of sustainability reporting is still in the development stage due to a lack of theory and previous research. Although many guidelines exist, the available theory is still inaccurate and the need exists to develop new theory. The sustainability reports that have been issued reflect the confusion that exists regarding the desired content of these reports.

To answer the question of "*what to report and how*", is complicated when dealing with a new practice that is voluntary and where no simple guidelines exist. The number of listed companies that embrace the practice are limited and there is only a small number of experienced reporters. The small number of experienced sustainability reporters and the lack of experience complicate the choice of a research approach to be used in this particular study.

The objective of this study is to develop simplified guidelines that can be applied when a company wishes to issue a Sustainability Report or when a company wishes to improve its future reports. In order to gather the required information that would allow the researcher to develop a simplified framework, the researcher had to consider the most appropriate approach to gather information and analyse the information in a way that would allow the researcher to develop such a simplified framework.

In the following paragraph the contribution that this study will make to new theory will be discussed.

3.2 Significance of the Study

This study contributes to the development of a new phase in sustainability reporting and will furthermore provide information that will be used to develop a new framework for sustainability reporting. Although stakeholders require more information and companies wish to meet those requirements, the future of sustainability reporting is threatened unless the process is simplified. Company executives complain that reporting and compliance issues are becoming unnecessarily lengthy, tedious and costly. Company executives mostly agree that if a practice adds value, it should be considered. Existing sustainability reporting guidelines has become lengthy and are perhaps adding little value.

Corporate stakeholders have begun to take a keen interest in the sustainability of businesses and the contribution that companies make to the sustainability of the environment where it operates. The term remains ambiguous and politically charged and is commonly limited to environmental management or social equity (Funk, 2003). This study makes a business case for sustainability, as a sustainable organisation is one that creates value for all stakeholders. The purpose of a sustainability performance report therefore is to inform all the company's stakeholders about the non-financial performance of the company.

As far as can established the concept of sustainability reporting has not been investigated in an academic and structured manner, but some trends have been established which allows that researcher to formulate research propositions. These are summarised in the next paragraph.

This study aims to develop a simplified framework for sustainability performance reporting which will encourage companies to issue sustainability reports that will meet stakeholder requirements and contribute to an improved image of the company.

3.3 Research Proposition

Erik Hofstee (2006) states that the thesis is the central argument to one's work and that a thesis statement names that argument. He confirms that a thesis is an assertion that you put forward as being (supposedly) true. The thesis of this study is that sustainability reporting needs to be taken to a next level that is characterised by less prescription and simplified guidelines, hence this study aims to develop a

simplified framework for sustainability reporting. This research will provide the facts and evidence with which to check that argument.

The planned research aims to develop a simplified sustainability reporting framework. In order to arrive at this framework, the researcher needs to confirm or refute the statements above. The outcome of the analysis will allow the researcher to develop a simplified sustainability reporting framework.

In this study, the researcher has formulated the following research propositions:

- Proposition 1: Sustainability reporting guidelines from different organisations recommend too many performance indicators.
- Proposition 2: Sustainability performance reporting has developed to a next level which may replace the triple bottom line as a structure for sustainability and sustainability performance reporting.
- Proposition 3: Company Executives currently view sustainability as the company's impact upon its external environment.
- Proposition 4: Information regarding the long-term sustainability of the firm is not seen as a subject that should be included in the sustainability report.
- Proposition 5: Sustainability reports do not include comments regarding the company's contribution to national agenda priorities.
- Proposition 6: Sustainability issues are not included in the strategic plans of companies.
- Proposition 7: Company Executives view sustainability reports as important in enhancing the company's reputation.
- Proposition 8: Listed companies that do not issue sustainability reports currently are considering the possibility of issuing such a report in future.

The method that will be used to gather data and conduct the analysis is summarised in the next paragraphs.

3.4 Research Methods

Creswell (2003) argues that the choice of methods turns on whether the intent is to specify the type of data to be collected in advance of the study or to allow it to emerge from participants in the project. "Less well known than either the quantitative or qualitative strategies are those that involve collecting and analysing both forms of data in a single study" (Creswell,2003: 15). A mixed methods approach combines qualitative and quantitative approaches in the same study. By combining the traditional survey methods, the researcher gains advantages as the mixed methods approach applies to:

- Both predetermined and emerging methods
- Both open and closed-ended questions
- Multiple forms of data drawing on all possibilities
- Statistical and text analysis

In this study, the researcher has selected an emerging practice that has been applied in many different ways by leading companies. There is a need to investigate the current state of affairs of sustainability reporting both locally and internationally to determine the topics that are currently included in annual reports. It must be acknowledged that there will be a wide array of topics currently included. Once some correlation of topics is found, leading South African companies will to be investigated in order to obtain their views about the desired content of future Sustainability Reports.

This study into the state of sustainability reporting lends itself to a mixed methods approach as the study has to start with a strategy of inquiry where data will be collected from existing sustainability reports that have been issued by companies that are leaders in the practice of sustainability reporting. This will be followed by a phase where numeric information is gathered to create a final database, which consists of qualitative and quantitative information. In this study the first phase creates the basis for the inquiry into the future of sustainability reporting.

3.5 Research Design

In this study, the objective is to develop a simplified framework for sustainability reporting to major stakeholder groups. The researcher decided to approach the research in three phases. The phases were planned as follows:

- **Phase 1: Qualitative Analysis:**
In this phase the researcher will conduct a content analysis of annual reports that have been published by leading South African and International companies that have released at least 2 sustainability reports. This phase will allow the researcher to establish which topics are most frequently included in these sustainability reports.

- **Phase 2: Quantitative Analysis:**
In this phase the findings from the qualitative analysis will be used to develop a questionnaire that will be sent to companies that are listed on the Johannesburg Securities Exchange and have registered their sustainability reporters on the Global Reporting Initiative's web-site. Companies that have registered their reports on this web-site are viewed as the most experienced sustainability reporters as they are prepared to publish their reports in the public domain. This phase will allow the researcher the opportunity to establish the topics that expert reporters believe should be included in future sustainability reports.

- **Phase 3: Development of Simplified Framework:**
The findings from phase 1 and phase 2 will provide the information required to be able to develop a simplified framework and guidelines that companies will be able to use in the compilation of future sustainability reports.

The decision to select the approaches listed above has been determined by the objective of the study, the nature of the concept that has to be investigated and the different research methodologies that are available.

It was decided to adopt a mixed methods approach to the research. The first phase of the research is qualitative research that is exploratory. This phase will be conducted by analysing recent sustainability reports that have been issued by leading International and South African Companies. The purpose of this part of the research is to develop an understanding of the topics and performance indicators that are currently included in sustainability reports of leading companies.

The topics most frequently included by experienced sustainability reporting companies will then be included in a questionnaire that will be sent to a selection of

companies listed on the JSE. The questionnaire will also include indicators that have been discovered in the literature review.

These criteria lend themselves to a mixed methods approach to the research. The initial study will be qualitative, followed by a quantitative analysis. The reason for this is that during the qualitative study the current reporting topics that are included in the sustainability reports of leading companies will be explored and during the quantitative analysis the researcher will explore the topic in further depth. Creswell (2003: 53) argues that in a mixed methods format, the researcher is able to bring together approaches that are included in both quantitative and qualitative formats.

In the following paragraphs, qualitative, quantitative and mixed methods research approaches will be defined.

3.6 Phase 1: Qualitative Analysis

During the qualitative phase of the study, the researcher wants to answer the following question: “What are the topics that experienced sustainability reporters include in their annual sustainability reports?”

In order to understand the topics that are most frequently included in existing Sustainability Reports, the researcher decided to start the research into this subject in a qualitative manner as a content analysis. The qualitative analysis part of the study is aimed at analysing sustainability reports from leading South African and International companies. This analysis will enable the researcher to establish the topics most frequently included in sustainability reports by these companies. Sustainability reports include the non-financial performance areas that companies deem important for stakeholders. The content of sustainability reports that are issued by experienced sustainability reporters provide the researcher the ability to investigate the topics most frequently included in reports. The findings from this phase of the study will allow the researcher to develop the content of the questionnaires that will be sent to companies included in the sample for the second phase of the study.

Qualitative research focuses on meaning rather than frequency and quantification. It focuses on understanding organisational processes and less on predicting outcomes. A qualitative study will allow the investigator the opportunity to understand “what life

is really like” (Miles and Huberman, 1994: 10). In other words, the investigator will be able to investigate the way that sustainability performance is reported to stakeholders. The best way to approach this was by analysing recent annual reports where sustainability reports are included.

The researcher chose to analyse the annual reports of companies as this source was available to all stakeholders and there was little chance of the evidence becoming biased due to the influence of eloquent company executives during interviews. For this reason, the researcher decided not to conduct interviews with company executives. The researcher also had no control over the compilation of the report. The analysis of annual sustainability reports from different companies will highlight similarities and differences which will enable the researcher to answer many of the “what is included in sustainability reports” questions.

The phenomenon of sustainability reporting is still in its infancy and for this reason a qualitative approach would be best suited for phase 1 of the study. John W Creswell (2003) argues that if the theory base is unknown, a qualitative approach should be used. Morse (1991: 120) supports this view when the following is said:

“Characteristics of a qualitative research problem are: (a) the concept is “immature” due to a conspicuous lack of theory and previous research; (b) a notion that the available theory may be inaccurate, inappropriate, incorrect or biased; (c) a need exists to explore and describe the phenomena and to develop theory; or (d) the nature of the phenomenon may not be suited to quantitative measures.”

The researcher chose to adopt this approach for the first phase of the analysis. The objective of the first phase is to ascertain the current state of affairs in terms of sustainability reporting both locally and internationally. This phase will be addressed by means of a content analysis of existing reports. Content analysis is defined by Colorado State University (Colostate, 2008). (<http://writing.colostate.edu/guides/research/content/pop2a>) as a research tool used to determine the presence of certain words or concepts within text or sets of texts. Researchers quantify and analyse the presence, meanings and relationships of such words and concepts, then make inferences about messages within the texts. Text can be defined as books, newspapers, articles or really any occurrence of communicative language. To conduct a content analysis of any such text, the text is

coded or broken down into manageable categories on a variety of levels and then examined using one of content basic methods: conceptual or relational analysis. Content analyses can be used to: reveal international differences in communication content; detect existence of propaganda; identify intentions, focus or communication trends of an individual, group or institution; describe attitudinal and behavioural responses to communications and determine psychological or emotional state of persons or groups (Colostate, 2008).

The researcher wants to establish the following:

- a. Which performance areas are most frequently included in sustainability reports,
- b. Which performance areas are included in reports and supported by a level of detailed performance metrics, and
- c. Which performance areas are included by a limited number of companies

This approach will provide the researcher with the required understanding of the approach and topics included by experienced sustainability reporters. The next issue that has to be considered is the decision on the sample that will be used in the study.

3.6.1 Sample

Qualitative researchers usually work with small samples unlike quantitative researchers who aim for large numbers. (Miles and Huberman, 1994: 27) In the content analysis phase of this study a small sample will be used which elevates the importance of selecting the appropriate companies. The companies that will be included in the qualitative study will be leading local and international companies that have displayed an understanding of sustainability reporting.

A judgement sample of 8 organisations was selected with the aim of reviewing their annual reporting practices in terms of sustainability performance. The 8 annual reports were from major companies in the consumer services, consumer goods, industrial and telecommunications sectors. Included in the 8 companies were 4 South African listed companies and 4 International companies.

The selected organisations were considered a representative sample due to the fact that they have all issued 2 or more sustainability reports and they were viewed as leaders in their industries.

In this study the word 'participant' refers to a single company that has displayed a level of competence in sustainability reporting.

Eisenhardt (1989: 537) supports the view that random sampling for a qualitative study is not preferable. The emphasis should rather be to choose participants which are likely to replicate or extend the emergent theory. For the selected topic in this study, reports from leading local as well as international companies were selected. This allowed the researcher the ability to analyse the sustainability related issues, topics and performance indicators deemed most important to provide stakeholders adequate information about the sustainability performance of the company. Some topics discussed in the literature review were also included in the analysis as many valuable reporting issues were mentioned in publications. The purpose was to build theory from reports that are more advanced.

At the outset it is important to select companies that display a level of competence in the area of sustainability reporting for the analysis. Leedy and Ormond (2005) define a method of sampling for a particular purpose as "Purposive sampling". This method allows the researcher to select Sustainability Reports of companies that have displayed a commitment to sustainability and a high level of competence in sustainability reporting. For the qualitative analysis companies have to satisfy the following criteria to be included in the analysis:

- Only sustainability reports issued by large leading companies will be analysed as they are seen to be more advanced in terms of sustainability reporting and much more exposed to stakeholder activism.
- Only companies that operate in countries that are rated higher than South Africa in the Business Competitive Index that is issued annually by the World Economic Forum in Davos Switzerland will be selected.
- Only companies that have issued at least two sustainability reports during their last two reporting periods
- Only companies from South Africa, Scandinavia, the United Kingdom and Europe will be included. The analysis will be more accurate where

the English language is used as a primary language for company reporting.

- Companies in the USA will be excluded due to the prescriptive approach of the Sarbanes Oxly Act. Reports from companies in the United States have less freedom in selecting the desired content due to the prescriptions of the Act. This contradicts the freedom of choice that other International countries have.

Due to ethical considerations in research, the names of the companies will not be revealed.

As stated earlier, the topic of Sustainability Reporting is still new. The fact that it is still new, places certain constraints upon the researcher's ability to perform the study. The result of this is that the population from which a sample could be drawn was limited. For that reason, the most appropriate approach was to select a sample from a population that displayed some commitment to sustainability reporting. It is accepted that many leading companies use the Global Reporting Initiative (GRI) guidelines and GRI is the only organisation that allows reporting companies a facility to register their sustainability reports. Companies that register their sustainability reports on the GRI web-site can be viewed as committed to sustainability reporting. At the end of 2007 a total of 817 companies across the globe have registered their sustainability reports on the web-site and form the population from which a sample could be selected for the qualitative part of the study. It was decided to select the International sample from the companies that are GRI-listed reporters from different mainly English speaking countries and different industries.

Four South African companies will be selected from those companies included in the SRI Index of the JSE. Companies that are included in this Index all embrace the principles of sustainability. The selection of companies will include two companies that are registered with GRI as reporters and two companies that are not listed on the GRI Index as reporters but are members of the SRI Index. The reason for selecting two companies that are not listed as GRI reporters is to include companies that issue sustainability reports but do not necessarily follow specific guidelines. The following South African companies will be included in the qualitative study:

- Clothing Retailer (Not GRI registered Reporter)
- Large Bank (GRI Registered Reporter)

- Telecommunications Company (GRI registered Reporter)
- Platinum Mining Company (Not GRI Registered Reporter).

The following International companies are selected:

- Food Retailer (United Kingdom)
- Information Technology Company (Scandinavia)
- Telecommunications Company (United Kingdom)
- Pharmaceutical Company (Europe)

The companies are selected from specific industries due to the following reasons:

South Africa

- Clothing Retailer: The researcher views the retail industry in South Africa as an industry that competes well with International Companies in the Retail Industry. South Africans are famous as being among the best retailers in the world and for that reason South Africa is famous internationally for its retail expertise.
- Large Bank: South Africa is known for its sophisticated banking system and a number of international banks have been interested in purchasing South African Banks.
- Telecommunications Company: The cell phone industry is the fastest growing industry in the world and the companies in the industry are viewed as leading in terms of innovation.
- Platinum Mining Company: Since the turn of the century, platinum has overtaken gold as the most desired and expensive mineral in the world, which resulted in growth for companies in platinum mining.

These companies were selected as the researcher viewed these companies as the ones where the most information can be gathered from.

International

- Food Retailer: This is one of the oldest companies in the United Kingdom and has reported consistent growth of the last

half century. This retailer is also listed as one of the most sustainable companies in the world.

- Information Technology Company: It was decided to include a leader in Information Technology and cellular telephony as this company has taken the lead over most other companies in its sector.
- Pharmaceutical Company: Pharmaceutical Companies have a special way of creating value and for this reason an International leader was selected.
- Cellphone Provider: This remains a leading sector and it was important to select a British Company that was viewed as innovative and advanced.

The United Kingdom has 31 of the 100 companies worldwide that are classified as sustainable in the long term in the sense that they stand the best chance to be around in 100 years because of their demonstrated performance and strategic ability to manage the triple bottom line (www.global100.org). The Food Retailer and the Information Technology Company are both included in this list.

The study attempts to contribute to the knowledge base by exploring the most appropriate topics that should be included in future sustainability reports. The researcher therefore selected to analyse annual sustainability reports from leading companies. From the preceding exposition, the sample can be classified as a judgment sample. A method that is often used in qualitative research.

In the qualitative phase of the study, the sustainability reports included in the annual report, or issued as a separate report were analysed.

3.6.2 Data Collection Methods

For the initial study, a qualitative method was followed. In such a process, common methods of collecting data are by way of interviews, observations and archival sources, but the study should not be limited by these choices. The planned study in this instance needed to remain objective and for this reason the preferred method was to observe and analyse the annual sustainability reports as they are presented to the different stakeholder groups. The reason for this method is that large

companies with a wide range of stakeholder groups and large numbers of stakeholders in every group use the annual report as the most comprehensive report to communicate to the stakeholders. The researcher acknowledges that other methods of communication to different stakeholders exist, but the annual report remains the most comprehensive communication method that companies use to inform all stakeholders about their performance. The preference is to analyse hard copies of the annual reports as they lend themselves to an easier way of reading.

To obtain the printed copies of the annual reports from leading companies, the researcher will use the selected company's web-sites to download the latest annual and sustainability reports. Sustainability reports that are available on a company's web-site or a sustainability report that is registered on the GRI web-site, is in the public domain and available to anyone who wishes to access such a report. The researcher has decided to analyse reports from selected companies, but decided to protect their anonymity as it would be difficult to obtain written approval from the companies to use their company names. Written approval is difficult to obtain as some of the Local and some of the International companies do not provide contact names on their web-sites or in their reports.

The annual sustainability reports will be used as the object of research. These reports are in the public domain and are available from the company's web-sites.

3.6.3 Analysing the Data

The qualitative analysis was conducted by the researcher. The chosen method of research for the initial phase was the qualitative analysis and in particular, content analysis. Content analysis involves a process to condense raw data into categories based on valid inference and interpretation (Zhang, 2006). The purpose of this phase of the research is to analyse important themes that run across different companies' sustainability reports. In this regard, the researcher wants to establish; firstly, which are the main sections that are included in sustainability reports; and secondly, which performance areas are reported upon under each section.

The unit of analysis is the published annual reports of leading South African and International companies. During the analysis the researcher will be able to categorise the sections and performance areas that are included in the different reports in terms of the frequency and level of detail.

The analysis process starts during the stage where the data are collected. Miles and Huberman (1994) refer to this as the early collection of data. They argue that this early analysis allows the researcher to cycle back and forth between thinking about the existing data and generating strategies for collecting new, often better, data (Miles and Huberman, 1994: 50). The analysis process must be approached as ongoing.

The study into the actual sustainability reports issued by leading companies requires an analysis of more than one report in order to be able to analyse the topics that are reported upon. For this reason the researcher chose to analyse 8 reports from companies in different industries and countries. A further aim is to see processes and outcomes across different reports which will allow the development of more sophisticated descriptions and more powerful explanations (Miles and Huberman, 1994: 172).

Sustainability reporting, at this stage, is in a state of chaos; yet leading companies are doing their utmost to develop reports that meet the requirements of their stakeholders. The subject enjoys a lot of publicity, but the confusion continues. To be able to investigate the subject, it was decided to study the theory behind the phenomenon, followed by a study of the recommended guidelines. This part of the research was aimed at analysing what the leading companies actually include in their reports. The aim is to answer the “what” and “how” questions of reporting.

This part of the study aims to identify the most meaningful topics included in sustainability reports. The topics included those that are most frequently used by the different reporters. After successful analysis of the reports, a questionnaire will be developed that will be used for the second phase of the analysis.

As the topic of sustainability reporting is still in its infancy and not well understood by company executives, meaningful issues that were discovered in the literature review will be included in the analysis checklist to see whether these are used by reporters in any way.

3.7 Phase 2: Quantitative Analysis

The researcher chose to use a mixed method of research for this study. The first phase is aimed at examining the content of existing sustainability reports from leading local and international companies that have issued two or more sustainability reports.

The purpose of phase 2 of the study is to examine the views of experienced sustainability reporting companies regarding the desired generic content of future sustainability reports. The findings from the qualitative analysis and the literature study will be used to develop a questionnaire (Annexure 2) that will be sent to the Executives of listed South African companies that are viewed as the most experienced in sustainability reporting.

Qualitative approaches to research stress a need for the qualification of meaning provided by the words and perceptions gathered from different sources. Quantitative approaches stress the need for hard facts and numbers (Page and Meyer, 2005). The quantitative approach places greater value on information that can be numerically manipulated in a meaningful way, and this is the traditional scientific approach to research (Page and Meyer, 2005: 17).

The researcher will select companies that are viewed as the most experienced reporters in South Africa. These companies would have the most advanced understanding of the limitations of existing guidelines and would provide the best inputs to the desired content of future sustainability reports. This phase will be focused on leading South African Companies as South Africa is a developing country that has some unique topics that companies need to deal with. This phase will identify some of these topics and develop an understanding of the importance attached to them by company executives.

The difference between the qualitative analysis and the quantitative analysis is that the qualitative analysis is focused on what is actually included in previous sustainability reports and the quantitative analysis is focused on what should be included in future sustainability reports.

3.7.1 Sample

The target population for the quantitative or second phase of the research will include companies that are serious about sustainability reporting and can be viewed as experts in sustainability reporting. As sustainability reporting is still in a phase of development and new to most companies, it places limitations on the population from which a sample can be selected.

The focus of this phase of the research is to determine the desired content of future sustainability reports. As stated above, the population of interest for this study includes South African companies listed on the JSE that are members of the SRI Index as well as registered GRI reporters during 2006 and/or 2007. The reason for this selection is:

- Listed companies are required to publish an annual report every year.
- Companies that are members of the SRI Index embrace the principles of sustainability, and
- Registered GRI sustainability reporters have issued sustainability reports and have the confidence in the standard of reporting that they are prepared to make reports available in the public domain.

As illustrated in Annexure 3 the population of interest is small and it will be attempted to obtain responses from every company in the population. The population is summarised as follows (Annexure 3):

Total number of companies included in SRI Index:	56
Total number of companies listed on the SRI Index as well as the GRI web-site:	24
Completed questionnaires	12
Response as Percentage of total population	50%

This means that the total population that meets the criteria of knowledge in sustainability reporting is limited to 24 companies; therefore the entire population will represent the companies of interest.

The organisations that responded, i.e. the sample of respondents can be considered a self-selecting sample. The self-selecting nature of the sample of respondents is

unavoidable due to ethical considerations pertaining to research, i.e. voluntary participation. Of the 24 companies that were included in the population, 12 completed the questionnaire and returned them to the researcher. This response is viewed as satisfactory due to the fact that it represented 50% of the potential number of responses. The type of companies that completed the questionnaire can all be classified as leading South African companies. The researcher is confident that a satisfactory percentage of the leading sustainability reporters in South Africa have completed and returned the questionnaire.

3.7.2 Data Collection Method

The sample that was selected for the quantitative analysis included companies that were extremely difficult to establish contact with. All the companies that were included in the sample were called by telephone. In many cases it was difficult to reach the person that was responsible for the Sustainability Reports. In a number of cases, the companies refused to participate. The reasons for such refusal were mostly because those large companies do not participate in any surveys. Others stated that their Executives do not have the time for any such request. It was disappointing but in the end the researcher achieved to obtain participation from 50% of the targeted sample which is viewed as satisfactory. The researcher was also convinced that the participation had to be voluntary and that no company would be forced to participate. It is interesting to note that one of the leading companies agreed to participate but delegated the completion of the questionnaire to a secretary. This response was eliminated from the analysis. In the case of another high profile South African company, the Financial Director wrote a letter where it was stated that their company policy disallows them to participate in any way with any research or surveys. In spite of the many excuses from companies that refused to participate, the researcher continued until data saturation was reached. The response from the companies that participated was constructive and useful to the research.

The data was collected by means of a questionnaire that was developed after completion of the qualitative analysis. The main objective of Phase 2 of the research is to determine the content that experienced sustainability reporting companies would like to include in future reports. The questionnaire will allow the researcher to determine the topics for future reporting including:

- The main sections that should be included in future sustainability reports, and
- The most important performance indicators that should be included in future sustainability reports.

A Likert scale will be used for the respondents to classify their responses. The questions provide 5 possible responses namely:

- Strongly agree 1
- Agree 2
- Neither agree nor disagree 3
- Disagree 4
- Strongly disagree. 5

The questionnaire will be structured in three parts in order to be able to analyse the responses. The final questionnaire is attached as Annexure 2. The 3 parts are as follows:

Part 1:

In this part the researcher requests respondents to provide information about the company and indicate the respondent's position in the company. This allows an analysis in terms of:

- Company size
- Whether the company issued a sustainability report in the past, and
- Whether the company was a member of the JSE Social Responsibility Index.

It is expected that different trends may be established within these different categories.

Part 2:

In the second part the researcher wants to obtain the company's opinion regarding the importance of sustainability strategies and sustainability reporting. This will provide an indication of the likelihood of sustainability reporting becoming more entrenched in the future among listed companies.

Part 3:

In this final part, the researcher wants to establish the sections and performance areas that Management and the Board view as important topics that should be included in a company's annual sustainability report. Responses to the questions in

this part of the questionnaire would ultimately allow the researcher to develop a simplified framework for sustainability reporting.

3.7.3 Analysing the Data

Sustainability reporting is still new which results in a small number of companies that can be included in the research population. 50% of the population participated in the research, which is a limitation of the study.

Firstly, the reliability of the questions that are included in the questionnaire will be tested for reliability using Cronbach's alpha. If the measure of reliability in this analysis exceeds 0.7, it will be accepted as good reliability (Page and Meyer, 2005).

Data analysis methodologies that involve large data sets are not considered appropriate for this the data that is gathered in this study. The amount of data that will be gathered in this study will be small and dictates a simpler method of looking at the data. The second in the data analysis process will be to summarise the data where after it can analysed using descriptive measures which provides an overall picture of the data. The small number of responses allowed the researcher to apply descriptive measures to analyse the data. Descriptive measures are particularly useful for comparing the response pattern for different groups or different questions (Page and Meyer, 2005: 149). Descriptive statistics simply describes what the data shows. Although this is the most basic of statistical methods, it is found to be appropriate for the analysis of the data that is gathered by means of the questionnaire that is used in this study.

3.8 Phase 3: Development of a Sustainability Reporting Framework

To develop a simplified framework for Sustainability Reporting, the findings from the qualitative analysis, the quantitative analysis and the literature study will be used. Due to South Africa's position in the world as an emerging economy, topics that may be of importance for a developing country may also be included.

In the development of a framework, the researcher will also consider the views of reporters and research participants towards some of the topics that are related to the stakeholder theory. This theory advocates the reason for business as being to the benefit of a large number of stakeholders that all have different interests in the performance of the company.

The proposed framework has to contribute to more effective sustainability reports by all sizes of companies and for that reason the objective should at all times be to keep it as simple as possible while at the same time keeping it comprehensive enough to meet the requirements of the main stakeholders of the company. The framework will be defined in the next chapter of this study.

3.9 Ethical Considerations

Creswell (2003) argues that researchers need to respect the participants and the sites for research. In this regard, Creswell highlights certain ethical issues that may arise during research. The researcher has considered the ethical issues and needs to record some of the approaches followed in both the qualitative and quantitative phases.

- The annual sustainability reports that were analysed during the qualitative phase of the study were considered to be in the public domain which justified their inclusion in the analysis. Due to a lack of contact persons in reports, permission was not obtained from the selected companies.
- Names of the companies that were included in the qualitative phase were not revealed and reports were used to examine the actual topics that were reported and not to express any criticism or judgement about the companies or reports. The objective was to protect the anonymity of individuals in companies as well as the company.
- Sustainability reporting is voluntary and companies may choose to issue or not to issue sustainability reports. The research was conducted in the same manner as no company was forced to participate in the research. All the responses during the quantitative phase were submitted voluntarily.
- Participating companies in the quantitative study were allowed to withdraw if they wished to.
- The researcher reported on the issues that were found during the analysis and no findings were falsified or invented to suit the needs of the researcher.

The aim of the study is to develop a simplified framework for sustainability reporting. The only data that was disclosed in this thesis has been data that contributed to the development of such a framework. The approach to the entire study has been aimed at little intrusion into reporters' businesses.

The research phases included in this study contributed to the development of a framework that has the potential to encourage new reporters to issue sustainability reports. In the next paragraph research chapter is summarised.

3.10 Summary

The researcher decided to apply a mixed methods approach to the research. The research will be conducted in three phases:

- Firstly, a qualitative phase where the researcher will examine the sections and performance areas that leading companies currently include in their sustainability reports;
- Secondly, a quantitative phase where the researcher will investigate the topics that current experienced sustainability reporters view as important for future reports; and
- Thirdly, the development of a simplified sustainability reporting framework.

The next chapter of this thesis will include: the research findings, the analysis and conclusions from the research.

Chapter 4

4 Research Results

4.1 Introduction

The central premise of this study was that sustainability performance reporting will be embraced by an ever increasing number of companies in the future if the guidelines for reporting can be simplified. Existing guidelines attempt to be too prescriptive and recommend too many performance indicators.

The results from the analysis are presented in the following sequence:

- Firstly, the qualitative results are documented. In this analysis the sustainability reports from the 8 selected companies were analysed.
- Secondly, the approach to the compilation of the questionnaire that was used for the quantitative analysis will be discussed, and
- Thirdly, the findings from the responses to the questionnaire will be analysed.
- These discussions will be followed by a synthesis of the findings from the mixed method that was used combined with the findings from the literature review.

The analyses formed the basis of the information that will contribute to the development of the proposed simplified framework.

The following paragraphs will include the summary of the findings from the qualitative study.

4.2 The Qualitative Analysis

4.2.1 Approach

The qualitative research in this study focused on:

- Determining the titles used for sustainability reports and the preference that they reflect
- Establishing the main sections included in reports,
- Determining the performance indicators most commonly used in each section, and

- Whether different industries favour different performance areas.

The results from the qualitative phase of the research allowed the researcher to develop a questionnaire that was used in the quantitative study. The results from the mixed methods approach provided the researcher with enough information to develop a simplified framework that can be used by companies for sustainability reports. This framework will include the most important performance indicators that companies should include in their sustainability reports.

4.2.2 Selection of Sample

For the qualitative analysis, the researcher decided to analyse the sustainability reports from leading International companies and leading South African companies.

In the selection of the companies, the researcher considered the countries of origin and the actual companies according to the following criteria:

4.2.2.1 Countries Included in Selection of Sample

The result of the research was aimed at adding to the knowledge base of sustainability reporting in all countries excluding the United States of America (USA). The USA has been excluded due to the fact that sustainability reporting in that country is prescribed by the Sarbanes Oxly Act. Sustainability reporting in all other countries is voluntary and companies sometimes apply certain guidelines.

At the end of 2007 more than 800 companies reported that they used the GRI guidelines for their reports. A scan of the actual companies revealed that most reporting companies were from Europe, Scandinavia and the United Kingdom. It was decided to select companies from these Countries which used predominantly English to report. South Africa was included as the researcher is South African and the new framework will most likely receive support from South African institutions.

The countries selected were:

- South Africa
- United Kingdom
- Finland
- Switzerland

Two companies from the United Kingdom were included due to the reason that the highest number (31) of companies included in the Global 100 Most Sustainable Corporations in the World (2005) are from the United Kingdom. The other 2 countries were included because the researcher needed to include other companies that are included in the Global 100 that are viewed as leaders in sustainability reporting (GRI web-site, 2007).

The companies were then selected according to the criteria that are discussed in the following paragraph.

4.2.2.2 Company Selection

In the selection of the companies, the researcher chose industries where sustainability reporting was well established. The most advanced industries were:

- Mining
- Pharmaceutical/Chemical
- Financial Services
- Retail
- Telecommunications

These industries provide an opportunity to analyse reports from industries that were significantly different in terms of the common definitions of sustainability. In this regard it is important to note that differences in reporting can be expected. These differences are determined by the nature of the industry's operations. Some examples of the differences that could be expected are:

- Impact on the Environment:
 - The Mining sector has a more disruptive impact upon the environment than the other sectors.
 - The Retail sector has a major impact upon the environment, but the nature of the impact is different to the mining sector.
 - The Pharmaceutical also has a major impact, yet again it differs from the 2 sectors mentioned above.
 - Although different in nature all these industries have an impact upon the environment.

- Social Impact
 - All industries have a responsibility towards the social development of the communities that surround their operations, yet all industries view their responsibilities differently.
 - Mining companies will be more dependent upon a stable labour force whereas Financial Services and Pharmaceutical companies will be focused upon talented and highly qualified staff.

- Economic Impact
 - Financial Services and Retail will be more customer orientated than the Mining sector.
 - Suppliers will be less important in the Pharmaceutical and Financial Services sectors than in the Retail or in Mining.

The selected companies represent an opportunity to investigate topics that are common to all industries and also to identify those topics that are more important to specific industries.

4.2.2.3 Companies Included in Qualitative Analysis

At the end of 2007 a total number of 817 companies are registered as sustainability reporters on the GRI web-site. In August 2008 the total number for the calendar year 2008 is 330. This provides an ideal population to select a sample from as all these companies have illustrated a commitment to Sustainability Reporting. In addition, the World Economic forum (2005) selected the top 100 companies that are viewed as the most sustainable companies in the world. These two registers provide the best facility to select leaders in sustainability reporting from. The researcher decided to select companies on the following basis:

- International:
 - Scandinavia: Telecommunications
 - United Kingdom: Retail

- United Kingdom: Telecommunications Service Provider
- Switzerland: Pharmaceutical
- South Africa
 - Telecommunications
 - Platinum Mining company
 - Financial Services
 - Retail

All the International companies are registered as GRI reporters. Two of the South African companies are listed as GRI reporters but all are members of the JSE SRI Index. This means that all the companies included in the analysis display a commitment to sustainability and report on their performance in this regard.

The next paragraphs summarise the findings from the analysis.

4.2.3 Findings from the Qualitative Analysis

4.2.3.1 Report Titles

Companies that issue annual sustainability reports choose to either publish separate sustainability reports or dedicate a part of their annual reports to sustainability performance. All companies have a title for their sustainability reports. Companies use different titles for their reports. The use of different titles may provide an indication of the way that sustainability is viewed by different companies. In this paragraph, the report titles will be investigated firstly in terms of the title and secondly whether the title provides an indication of the way that sustainability is viewed by the company.

The GRI guidelines (2002) recommends the use of the term “Sustainability Reports”, but it is in the scope of this study to analyse the titles used by the companies that are included in the analysis.

The titles allocated to the reports are as follows:

Table 4.1 Titles of Reports (n=8)

Title of Reports	Number of Companies
Corporate Responsibility Reports	3
Sustainability Reports	3
Sustainable Development Reports	1
Annual Report	1

From Table 4.1 it can be seen that the most frequently used titles for the reports are:

- Corporate Responsibility Reports and
- Sustainability Reports

It is however, important to note that the title “Corporate Responsibility Reports” was only used by International companies. The title “Sustainability Report” was used by 1 International and 2 South African companies. One South African company chose to use the title “Sustainable Development Report”. The remaining company includes their Sustainability Report in their Annual Report and do not allocate a specific title to the sustainability reporting section.

The titles used for reports indicate that there is a possibility that European companies lean stronger towards corporate responsibility in comparison to South African companies that favour a sustainability approach to their reports. The report titles do not provide enough information to allow the researcher to make any logical conclusion from it. To improve understanding of the meaning of the title it is necessary to investigate the theme of the reports. The Chief Executive Officer’s report which normally forms the introduction and positioning of the report should provide more insight into the theme of the report and the way the company approaches the non-financial performance reporting part of their annual report. The themes will be investigated in the next paragraph.

4.2.3.2 Main Themes of Reports

This paragraph summarises the main themes of the reports as reflected in the CEO or Chairperson’s reports. It is expected that these reports provide an indication of the performance areas that the Senior Management will focus on. The CEO report also provides an indication of the way that sustainability is defined within the company.

An analysis of the CEO reports indicate the following:

In Table 4.2 (below) we see that:

- Five of the eight reports included in the study highlight the creation of sustainable value for all stakeholders as important for the company. The companies that do not highlight this issue include 2 International companies and a South African Financial Services company. The finding is viewed as significant as the advocates of sustainability support the fact that the purpose of business has shifted from a shareholder focus to a focus that includes all stakeholders.
- Only one company still views shareholder value creation as their main reason for existence. Later sections of their report include statements about significant contributions that the company makes to the development of their country. Evidence that support a commitment to the creation of value for all stakeholders is not included in the report, but the statement that the company is “accountable to all stakeholders” acknowledges the company’s awareness of stakeholder needs.
- Two companies elevate the importance of contributing to Global Development in their reports. The 2 companies have operations that span across the globe and it is clear that a need to grow their businesses is dependent upon the economic development of countries across the globe.
- The food retailer reflects a high level of responsibility to the supply of quality products that are not detrimental to the health of their customers. The entire sustainability report reflects a culture of caring for customers and suppliers in the business. The retailer also reflects a high level of commitment to its contribution to the development of business in their own country.
- The Mining Company is the only company that elevates their environmental impact to Board level.

The International reports that are included in the study reflect a higher level of integration of sustainability performance into their business strategy than South African companies. They have customised sustainability topics to their business

needs to a larger extent than the South African companies. South African companies reflect a higher level of compliance to the recommended guidelines than International companies.

The International companies reflect a high level of commitment to the economic, social and environmental development of their own countries as well as countries across the globe. South African reports tend to include more reporting upon negative impacts that they may have on the environment and steps taken to reduce it.

Table 4.2: Main themes of reports (n=8)

	Global Development	Quality Products	Creating sustainable value for stakeholders	Creating value for shareholders	Impact on the Environment
Int: Telecoms	X				
Int: Retailer		X			
Int: Service Prov			X		
Int: Pharmaceutical	X		X		
SA Mining			X		X
SA: Bank				X	
SA: Telecoms			X		
SA: Retailer			X		
Total	2	1	5	1	1

Notes:

Int: Abbreviation for International

SA: Abbreviation for South Africa

Table 4.2 above summarises the main themes of the reports. The next paragraphs provide explanations of the findings from the reports. A number of statements from CEO reports are included to support some of the conclusions summarised above:

The International telecommunications provider positions their report as reflecting their role in tackling global challenges. Their view is that a corporate has a responsibility toward “*addressing global development issues*”. This view is strengthened through the CEO’s statement that states: “*The Company will work together with governments, corporate partners and the non-profit sector in addressing important social issues*”.

The CEO does however state that he would not like employees to see the company’s

environmental and ethical programmes as separate, add-on management features. The CEO states “*They must become embedded in all our processes and attitudes*”.

The International pharmaceutical company also views their role as a world-wide responsibility when they identified their main purpose as being: “*to develop innovative diagnostic products*” which allows the company to make a contribution to society that “*saves lives*”

The Chief Executive (CE) of a British food retailer expresses the philosophy that corporate responsibility (CR) is at the heart of what they have always done. The CE continues when he states that they support the principles of quality food at affordable prices and treating suppliers fairly and openly. It is significant that the CE of this retailer highlights the importance of their suppliers in the introductory paragraphs of the report.

The Chief Executive of a British cell phone service provider company emphasises that the “*company’s customer centred strategy recognises that quality; value and innovation are what will set the company apart from the crowd*”. The company’s Corporate Responsibility (CR) view integrates well with their business strategy which results in a CR approach that is comfortably integrated into overall business strategy.

The CR reports from the UK, Finland and Switzerland that were included in the analyses reflect the approach that companies have responsibilities towards certain stakeholder groups. The retailer expresses a degree of loyalty towards their country and all the people in the country that are in any way associated with their companies. The International Company that has a more global presence express a broader responsibility that is wider than the borders of their country.

The theme adopted by the companies in the Northern Hemisphere reports that were included in the study reflects a large sense of responsibility towards their countries of origin and across the world where they operate. It is also significant to note that their responsibility is aligned to their business and its activities.

The CEO of a South African Platinum Group Metal producer, states that the purpose of the report is to report on the company’s sustainable development initiatives. The approach to the report is to disclose transparently, comprehensively and as accurately as possible their performance with regard to the environment and

stakeholders. The structure of the report supports this stated approach when the company reports on their economic, social and environmental impacts.

A South African telecoms company reflects a responsible approach towards all stakeholders in creating long-term mutual value. Their report focuses on two areas of creating this value: *the quality of their network infrastructure and services to customers; and the social and commercial development of communities in their operational territories.*

In the introductory statement from the Chairman and the CEO, of a leading South African bank, they quote *“To create and protect shareholder value over the long term, implies that the needs of all stakeholders are understood and addressed”*. The statement is then qualified when the report writer explains that an inclusive approach is used. The qualification statement raises the importance of other stakeholders when it states that the bank is *“accountable to all stakeholders”*.

The sustainability report of a leading South African retailer that specialises mainly in clothing, that is sold to markets that cover all income groups, is integrated into their annual report. Although the report is focused on the financial performance of the company over the reporting period, each Director includes elements of sustainability in their specific reports. The business acknowledges that the current CEO has transformed *“the spirit of the company for the benefit of our employees, our customers and our shareowners”*. As far as sustainable development is concerned, the company defines their commitment to *“the principles and operating practices of sustainable business and has adopted the triple bottom line approach to managing its operations”*. The author continues: *“The group is well aware of the needs and requirements of all stakeholders and takes responsibility for how its businesses affect the environment and the communities in which it operates”*. The author of the Annual Report does not present a definition of the way that sustainability is defined in their report. Except for the reference to sustainable development and triple bottom line, a definition of the subject and the way that the company “manages” sustainability is absent.

The themes followed in the different reports provide a high level indication of the performance areas that are most important for the executives of the company. The triple bottom line features in some form or another in all the reports and themes reflect a strong support for the fact that the responsibility of a company is to create sustainable value for a number of stakeholders. This finding supports the shift that is

evident from the literature that there is a move from creating shareholder value alone to one where the company creates value for a number of stakeholders. The themes have provided an indication of the sustainability performance areas that are important at a high level. To develop an understanding of the performance areas that are managed and measured, the content of reports will now be analysed. The content analysis will identify the performance areas that companies deem as important enough to report on. This analysis follows in the next paragraphs.

4.2.3.3 Content Analyses

In this paragraph the content of the non-financial/sustainability performance reports will be analysed. The purpose of this analysis is to establish:

- Firstly the main sections used in the different reports
- Secondly, the performance indicators most frequently used in reports,
- Thirdly, the performance indicators that are less frequently used but may be important in specific industries.

4.2.3.4 Reporting Sections

The GRI guidelines recommend the use of the 3 dimensions of the conventional definition of sustainability, namely the triple bottom line. The 3 dimensions are then structured into a hierarchy of category, aspect and performance indicator. (GRI, 2002: 36) The Economic dimension is divided into the category of Direct Economic impacts which in turn consists of the following aspects: Customers, Suppliers, Employees, Providers of Capital and Public sector. An aspect like customers is then divided into specific performance indicators like Net sales and Geographic breakdown of markets. This very prescriptive hierarchy of 4 levels, Dimension, Category, Aspect and Performance Indicator appears to complicate matters for the reporting company and this leads to confusion.

Most reporting companies use the GRI guidelines as guidelines only, but a tendency exists among new reporters to slavishly follow the guidelines as there is a lack of simple guidelines. The purpose of this study is to establish what companies should report on and thereafter to develop simplified guidelines.

In this study, the main sections in reports were analysed where after, the performance indicators were investigated.

Table 4.3: Main Sections of Reports (n=8)

	Shareholders	Stakeholder Engagement	Corporate Reputation	Economic Performance	Suppliers	Social Performance	Environmental Performance	Employees	Corporate Responsibility	Product Quality
Int: Telecoms					X	X	X	X		
Int: Retail					X	X	X	X		X
Int: Service Provider		X		X		X	X	X	X	
Int: Pharmaceutical		X				X	X	X		
SA: Mining				X		X	X			
SA: Bank	X	X			X	X	X	X	X	
SA: Telecoms		X	X	X		X	X			
SA: Retail						X				
Total	1	4	1	3	3	8	7	5	2	1

Note: The main sections included in the selected company reports are included in the table.

For ease of interpretation, the main headings used in reports constitute the main sections.

From table 4.3 it can be seen that the number of reports that used a particular heading was as follows:

- Social Performance 8 of 8 reports
- Environmental Performance 7 of 8 reports
- Employees 5 of 8 reports
- Stakeholder Engagement 4 of 8 reports
- Suppliers 3 of 8 reports
- Economic Performance 3 of 8 reports
- Shareholders 1 of 8 reports
- Product quality 1 of 8 reports
- Corporate Reputation 1 of 8 reports

The summary above indicates that 2 of the pillars of the triple bottom line, social and environmental, are most frequently used. The only company that does not allocate a heading to environmental performance is the clothing retailer. This may be as a result of the fact that the South African Social Responsibility Index defines retailer as low impact companies as far as environmental impact is concerned. The third pillar, economic performance, is in most instances included in the traditional Annual report.

Many companies view the economic element of the triple bottom line as similar to the traditional financial performance report. This element is often incorrectly interpreted by companies as the economic element is more related to the company's contribution to the economic development of the area where the company operates.

Employees is the next most popular section included in reports. In cases where the company does not dedicate a section to employees, the topic is included under the heading of Social Performance in their report. This approach is recommended by the GRI guidelines.

Stakeholder engagement is used in 50% of the reports which support the acknowledgement of the importance of stakeholders in sustainability reporting. The content of this section reflects an acknowledgement of the different stakeholder groups that are important to the business. Examples of actual stakeholder engagement are limited and appear to be an acknowledgement rather than actual engagement.

Suppliers and Economic performance are raised to a level of importance in 3 of the 8 reports. In most cases, suppliers are acknowledged as important to business success and are mostly included in the Economic performance section.

Shareholders, corporate reputation and product quality appear to be of little significance in sustainability reports. It is significant that corporate reputation and product quality are viewed as significant in one report each.

The report sections that are summarised in table 4.3 above provide an indication of the structure used in reports. Further analysis is required before conclusions can be made from this summary. In the next paragraph the performance indicators included in actual company sustainability reports will be analysed. The method that will be applied is content analysis where the researcher analyses the text in company

sustainability reports with respect to its content. The researcher will analyse the actual performance indicators included in reports in terms of their frequency and importance. A performance indicator will be classified as important when actual performance with regard to that indicator is reported. This means that when the performance in a particular performance area is measured and reported, it will be deemed to be more important than those that only mentioned.

4.2.3.5 Analysis of Performance Indicators

The Global Reporting Initiative (2002) defines a performance indicator as a “measure of impact or effect of the reporting organisation divided into integrated, economic, environmental and social performance indicators”. (Sustainability Reporting Guidelines: Global Reporting Initiative, 2002: 35). It is important to note that the GRI issued guidelines propose a voluntary reporting approach that asks that sustainability reports offer "balance"-both the positive and negative effects of their operating practices (Downing, 2001). The indicators used under the different headings will now be analysed.

4.2.3.6 Social Performance Indicators

The analysis that follows summarises the main headings that were included under the Social Performance Section of the reports that were analysed. The analysis distinguishes between the performance areas in terms of their importance as deemed by the reporting companies. The following indicators determine the importance as they appear in reports:

- NB: Important because the performance area is included in the report and evidence of actual performance and measurement is found in the report.
- LTD: Reporting is limited to a statement of intent or mentioned.
- NR: Not reported.

Table 4.4: Social Performance (n = 8)

	Education	Charitable Giving	Economic Impact on Communities	Good Neighbours	Product Safety	Research & Development	Community Development
Int: Telecoms	LTD	LTD	NR	NR	NR	NR	NR
Int: Retail	NB	NB	NB	NB	NR	NR	NR
Int: Serv Prov	NB	NB	NR	NB	NB	NR	NR
Int: Pharmaceutical	NR	NB	NR	NR	NR	NB	NR
SA: Mining	NB	NR	NB	NR	NR	NR	NB
SA: Bank	NB	NB	NR	NR	NR	NR	NR
SA: Telecoms	NB	NR	NB	NR	NR	NR	NR
SA: Retail	NB	NB	NR	NR	NR	NR	NR

Notes:

- Employees: All comments relating to internal employees of the company will be reported on under the heading of employees which warrants a dedicated section.

Important Findings:

- Education is included in the most detail and actual spend and examples are included in 6 of the 8 reports.
- 6 of the 8 reports included detail of Charitable Giving.
- 4 of the 8 reports included detail about their Economic impact on communities.

Most of the social performance indicators that companies include in their reports relates to their employees. Five of the eight companies that were included in the qualitative analysis selected to dedicate a special section to the category of employees. As the topic of employees receives such prominence, all employee related comments were excluded from the summary of social performance indicators. The topic of employees justified a dedicated section.

The result of this is that apart from Employee related matters only Education and Charitable Giving actually receive any notable attention in reports. Another topic that is not viewed as related to the social category is Product safety, which is most frequently included in the Environmental category.

In the following paragraphs the content from each report will be briefly discussed.

The International Telecoms company dedicates most of the social report on education and charitable giving in all the countries where they have a presence. The intentions are provided but very little evidence of the actions and no mention of the results achieved.

The International Retailer reflects a commercial approach towards their communities in the way that they encourage employment of local people, involvement with town planning, support for rural communities by sourcing food from local suppliers and reducing customer discomfort in their stores. Their charitable giving and support for education is aimed at "*improving the lives of young people*".

The International Service Provider quantifies the company's donations to charity and express this as 0,7% of pre-tax profits. The main areas of involvement are: Education of young people, Emergency relief, Health, Arts and culture and Community sports. Other focus areas of the report are Product Safety and Customer service.

"The International Pharmaceutical Company's most important contribution to society lies in the research development and production of innovative and cost-effective solutions for unmet medical needs". The report does not provide detail of their humanitarian and social donations, but those that are mentioned are closely aligned to their overall business strategy, e.g. advancement of science and education.

In the South African mining company's report, management state that the business dictates two crucial areas of social impact, namely sustaining employment opportunities and the safety and health of employees. As a deep-level mining operation the second area is of critical importance. These issues are analysed in the Employee section of this report. As a mining operation in a remote area, the mine appears to be initiating many actions to contribute to the economic well-being of the community that surrounds the mines. The report includes statements about the company's involvement in the education of people in the communities and the company's support for small business. The interventions are reported upon, and actual results are provided. The Mining Company reports that they have appointed a social responsibility and development manager with the objective of managing funding proposals. Comments that relate to employee issues in the mining

company's report are disclosed in the social impact section of the report. These issues have been included in the employee section of this study.

The South African Bank states that the core principles that drive their community interventions are:

- To reinforce our values
- To achieve their business objectives
- To support democracy and nation building
- To enhance the bank's image

The Bank reports on their important contribution to social development as their spend on education and report on the actual amount spent. Their second most important spend is allocated to Entrepreneurship, which is also reported in terms of actual spend. The educational spend is aimed at financial literacy, which is closely aligned to their business as a Bank.

The South African retailer record their social development activities as aimed at *"improve the quality of life for people who experience hardship"* This statement indicates a level of support for the country's National priority of poverty alleviation. Seventy percent of their Corporate Social Investment (CSI) spend is donated to causes related to the empowerment of communities. Their second most important CSI spend is towards Education. The actual amounts and the results achieved are not disclosed.

The South African service provider company highlights their HIV and Aids programmes as a major focus. Other focus areas include Education and development of women entrepreneurs. The report does not disclose the actual amounts allocated to the different programmes, but it is recorded that as a policy, up to 1% of nett profit after tax is allocated to CSI programmes.

Important findings from the analysis highlight the fact that the very popular GRI Guidelines (2002) prescribe a comprehensive list of topics that should be reported on in the social impact section of reports. It is clear that only Education and Charitable Giving are deemed important enough to be included in the reports that have been studied. It is also significant to note that a topic like Economic impact on communities appears to be better suited under the Economic impact section.

It is therefore, difficult to understand the reason for the popularity of the report heading often used to be corporate social investment report. The reports that were analysed in this study do not support the pressure on companies to become “*socially responsible*”.

The theory of the triple bottom line elevates the social responsibility aspect to a level of importance that is not reflected in the reports that were analysed.

4.2.3.7 Environmental Performance

John Elkington (1998) defined the triple bottom line and advocated the need for companies to dramatically assess their performance against the areas covered by the economic, social and environmental bottom lines (Elkington, 1998: 70). He emphasised the importance of protecting the planet so that “future generations can meet their needs” (Elkington, 1998: 71). The question that most companies need to answer is: “*What forms of natural capital are affected by our operations and will they be affected by our planned activities?*” (Elkington, 1998: 80). The environmental performance of companies is increasingly in the spotlight, and companies have to evaluate their impact upon the environment and report on it. That is the reason why environmental performance is the second most frequently included category in sustainability reports. The Global Reporting Initiative Guidelines include 10 aspects that prescribe 16 core and 19 additional indicators that should be reported on. In the following paragraphs the reports included in the sample will be analysed in terms of the aspects most frequently included in their reports.

The following indicators will determine the importance as they appear in reports:

- NB: Important because the performance area is included in the report and evidence of actual performance and measurement is found in the report.
- LTD: Reporting is limited to a statement of intent or mentioned.
- NR: Not reported.

Table 4.5: Environmental Performance (n = 8)

	Product Material Content	Recycling	Energy Efficiency	Waste	Greenhouse gas emissions	Water management	Biodiversity
Int: Telecoms	NB	NB	NB	LTD	NR	NR	NR
Int: Retailer	NR	NB	NB	NB	NB	NB	NR
Int: Service Provider	NR	NB	NB	NB	NB	NB	NR
Int: Pharmaceutical	NR	NR	NB	NB	NB	NB	NR
SA: Mining	NR	NR	LTD	LTD	NB	NB	LTD
SA: Bank	NR	LTD	LTD	LTD	NR	LTD	NR
SA: Telecoms	LTD	LTD	LTD	LTD	NR	LTD	NR
SA: Retailer	LTD	LTD	LTD	LTD	NR	LTD	NR

Notes:

Table 4.5 above provides the following important findings:

- Energy Efficiency receives the highest ranking but this result is skewed by the importance placed upon this in the Northern Hemisphere. South African companies do not include detail about initiatives or performance in this regard in their reports which may indicate that they are not yet convinced that this is an important performance indicator.
- Waste Management receives the second highest ranking, but is once again influenced by northern hemisphere companies.
- Recycling, Water Management and Greenhouse gas emissions are ranked as important, but it is again influenced by the Northern Hemisphere companies.
- South African companies have not yet raised the importance of environmental issues in spite of the importance of this as world wide phenomenon.

Although the protection of the planet is an important topic at the moment, it does not appear that South African business has yet accepted their responsibility towards this.

The analysis confirms this important fact. The findings from the individual company reports will be discussed in the rest of this paragraph.

The International Telecoms company reports that as a leading company they work to reduce the adverse environmental impacts that their products and activities can have on the environment. In terms of environmental impact the company views their focus areas as substance management, take back and recycling of end of life products and energy efficiency. The report includes information regarding their actual electricity consumption for all areas which makes this an area that is measured and managed. In other aspects, the company expresses the steps taken in many instances to reduce the company's negative environmental impact.

The International retailer highlights their priorities as a commitment to reduce energy consumption, recycling and reducing waste wherever possible. Reporting on electricity consumption is the most prominent of all forms of energy in their report. Sainsbury reflect a responsible approach to the conservation of all forms of energy and include performance figures of electricity as well as fuel. Other topics that are viewed as priorities are recycling and waste reduction. The company has set targets for CO2 emission reductions and report on actual tonnes saved.

The International service provider quotes from a Mori poll that was conducted among 2000 British consumers who rated protection of the environment as the most important area of corporate responsibility. As a result of this poll, the company identified the main ways that their business affected the environment. They highlight energy efficiency as their largest priority. They include all forms of energy in their disclosure which includes electricity, gas, fuel and water. The company also reports on their actions in other areas which include handset recycling, recycling of general waste, greenhouse gas emissions, and water consumption.

The International Pharmaceutical company allocate equal importance to Energy Consumption, Greenhouse gases and Waste. Detailed performance figures are reported. The report reflects a responsible approach to environmental management and reports on the effect that the company's own business activities have on the environment.

The South African Mining Company is subjected to a high level of regulation by the Department of Minerals and Energy (DME) as well as the Department of Water

Affairs (DWAF). Their annual report reflects the requirement for compliance with regulations in their discussion of legislative compliance. The report includes extensive coverage of their use of water and emissions. In their reporting on Greenhouse gas emissions, Water Management and Biodiversity, actual performance figures are included in the report. The report also includes actual performance figures reflecting their energy consumption. Of the total report 5 pages are allocated to their environmental performance. Considering the type of industry, the company reflects a responsible approach to their impact upon the external environment.

The South African Bank reports on Energy, Water, Waste and Emissions. Very little, except their future intentions, is reported. No figures to support any statements are reflected in the report. It appears that the Bank view their impact on the environment as low, yet their size dictates that the Bank will use a large amount of energy to manage their business and also generate a large amount of waste. Their statement regarding their indirect impacts appears to be limited to discouraging financing transactions that do not meet environmental requirements.

The South African Telecommunications Company can be viewed as having low environmental impact. The report includes policy statements regarding some environmental impact topics like: recycling, emissions, product safety and energy efficiency. Little is reported regarding actual environmental impacts or performance. The report includes comments regarding energy and waste but no performance figures are quoted which creates the impression that little attention is given to environmental performance.

The South African Retailer believes that it has a relatively low impact on the environment. They state that a new environmental policy was introduced during the year, which emphasises their drive to be a socially responsible organisation. The company lists the following as their most influential direct environmental influences: Water consumption, energy consumption, waste disposal, fuel consumption and Choice of merchandise. The report reflects a lack of management of the identified issues as no performance measurements are recorded. As a large consumer of energy, the reader will expect that the scarce resources are managed and reported. The content of the report is witness to the fact that they do not view environmental protection as important in their business. In the GRI summary the company reports that "Relevant reliable information continues to be developed through the group's risk

management process". This statement indicates that the company is developing the necessary processes to be able to report on topics relevant to their company in the near future.

In spite of the importance placed upon the protection of the planet and its environment (Brundlandt, 1987: Elkington, 1998), sustainability reports do not reflect the urgency expected in this regard. The reports from Northern Hemisphere companies appear much more in control of the management of their companies' environmental impact and the actions that they need to take to ensure the sustainability of the environment. South African companies, report much less on these issues, which gives a clear indication that topics like Waste and Energy Efficiency are not yet viewed as important to manage. Waste and Energy Efficiency receive the most exposure in the reports, but their importance is not supported by the comments except in the developed countries.

In spite of the fact that GRI recommend extensive detail to be reported on in the environmental section, Companies elect to report on Energy Efficiency, Greenhouse gas emissions, Waste, Recycling and Water usage mainly.

Paragraph 4.2.3.6 and 4.2.3.7 lists the social and environmental performance headings as the most frequently used in non-financial reports. The topic of employees is ranked third in this paragraph. In the following paragraph the issues discussed under this heading will be investigated.

4.2.3.8 Employees

Companies frequently refer to their employees as their most valuable resource. Five of the eight reports included in the study dedicate a section of their sustainability reports to the topic of employees. The section headings used in reports are described as follows:

- Employees
- A great place to work
- A better place to work
- Our commitment to employees
- Human Resources

Only two companies do not dedicate a section to employees, but include their reporting on employees under the heading of social performance. The GRI Guidelines include the aspect of employees under the category of social impacts. The companies included in this study deem the topic of employees as important enough to allocate a dedicated category for the topic.

The next table includes a summary of the findings from the analysis of the employee section of the different companies.

The following indicators will determine the importance as they appear in reports:

- NB: Important because the performance area is included in the report and evidence of actual performance and measurement is found in the report.
- LTD: Reporting is limited to a statement of intent or mentioned.
- NR: Not reported.

Table 4.6: Employees (n = 8)

Performance Indicator	Job Creation	Company Values	Equal Opportunities	Rewarding Performance	Labour Conditions/ Health and Safety	Talent Management	Training & Development	HIV/Aids	Communications
Company									
Int: Telecoms	NB	NB	NB	NB	NB	NB	NB	NR	NB
Int: Retailer	NB	NB	NB	NB	NB	NR	NB	NR	NB
Int: Service Provider	LTD	NB	NB	NR	LTD	NR	LTD	NR	LTD
Int: Pharmaceutical	NB	NB	NB	NB	NR	NB	NB	NR	NR
SA: Mining	LTD	LTD	NB	NR	NB	NR	NB	NB	NR
SA: Bank	LTD	NB	NB	LTD	LTD	NB	NB	NB	NR
SA: Telecoms	NB	NB	NB	NB	LTD	LTD	NB	NB	NR
SA: Retailer	NR	NB	NB	NB	LTD	NB	NB	NB	NR

Important findings from table 4.6:

- Equal Opportunities, Training and Development and Company values are included in all the reports and receive the highest priority.

- Job creation is viewed as one of the main reasons for the existence of a company and receives a high level of exposure in reports.
- Labour conditions and rewards for performance are issues that most leading companies view as important.
- Talent management receives attention and rate as important for companies where a qualification level is required among employees.
- HIV and Aids is clearly a South African priority and companies and all the South African companies dedicate considerable attention to the topic.

The CR report from the International telecommunications company dedicates a category to the topic of employees which elevates the importance of this resource in their business. In their CR report, the company emphasises that “*people are their most valuable resource*”. Their report highlights that ethical business conduct requires an equal commitment from all employees. The Company values are listed as: *Customer Satisfaction, Respect, Achievement and Renewal*. As a global company, their statement regarding equal opportunities and non-discrimination reflects their awareness of the diverse populations where they operate. The way that the company reports on their investment in people refers to their way of managing and rewarding performance. Their focus on labour conditions once again reflects their goal of being responsible when they state: ...” *It also effectively facilitates the sharing of best practice and engages management teams and the HR community to the common goal of being amongst the most responsible employers in the world*”. An important aspect is their “*holistic approach to talent management that ensures that they have the capability and leadership skill in key roles to deliver their goals*”. The Company’s employee report reflects the company’s realisation of the importance of their human resources. The approach is well balanced and includes extensive comments and performance figures for a number of the performance indicators.

The food retailer in the United Kingdom (UK) reports on the importance that they attach to the training and development of people as a way of displaying their belief in people. The company acknowledges the fact that the company’s success depends upon “*how effectively their colleagues convey their vision and values to their customers and communities*”. Their non-discriminatory approach to their staff complement is reflected in the statement that their “*recruitment and retention policy is built on valuing colleague diversity*”. Other employee related topics that are included in the report are: Rewarding employees, Health and Safety, Pension and Whistle Blowing. Performance figures are quoted in the narrative paragraphs and the only

charts that are included reflect the male/female and age mixes of the staff complement.

The Corporate Responsibility Report from a United Kingdom telecommunications service provider company highlights Company Values and Equal Opportunities. Charts are included to support their comments about Equal Opportunities. The only other measured and reported performance indicator relates to Permanent Employee Growth. Comments relating to their charts are limited. The “Engagement” category includes comments regarding their business principles which are aimed at *“helping employees to perform to the highest standards”*. The high performance culture is again highlighted under the “Our Culture” section of the report. The Employee section of their report does not include many performance figures except for the charts mentioned above.

The International Pharmaceutical Company start their report with the statement: *“A successful business creates new jobs”*. The first paragraph supports this statement when the report provides a summary of the growth in their staff complement from 2004 to 2005. Performance management and compensation are aimed at value creation and supporting the company’s culture of performance and innovation. Other important topics included in their report include: *“Talent Management and Promoting Diversity”*. The report includes actual figures for: Staff complement, Training and Development and a Gender breakdown. A significant observation is that the comments regarding equal opportunities address the issue of gender only without addressing any racial issues.

The Platinum Mining Company includes their comments regarding employees under the heading of Social Impacts, as recommended by the GRI Guidelines. The first section in the Social Impact section is dedicated to Labour issues and reports on the company’s employment principles. The report displays its compliance to the South African Labour relations regime when it states that: *“The Company does not employ children and excludes the practice of forced labour.”* As a mining company, labour relations are important and the report reflects their compliance with formalised labour legislation and their relationships with employee associations and trade unions. Even their training programmes are aligned with the South African Mining Charter. The Company’s sustainability report reflects the company’s serious view towards the health and safety of their employees. The report continues to discuss the company’s approach towards HIV and Aids in the workforce. In summary, the Sustainability

report is aimed at informing the reader that the company complies with all the formalised requirements that apply to mining companies.

The South African Bank reports on all of the 8 identified headings. Company values are included in the introductory section of their report. The Bank dedicates a specific section to employees and state in their opening paragraph that: “*We continue to work hard to make the bank a great place to work and to ensure that our employees enjoy a positive, productive and diverse workplace*”. The headings that receive priority are: Equal Opportunities, Talent Management, Training and Development and HIV and Aids. Actual employee figures that are included in the report reflect employee turnover and employee breakdown by charter bands. The figures are presented in a table and reported as statistics rather than achievements. Little comment is made to explain some of the figures.

The South African cell phone company does not dedicate a section to employees but include the Employee heading in their Social performance section. The topic receives prominence in the Social Performance section and reporting is comprehensive as they report detail in 6 of the 8 identified headings. Labour conditions, talent management, and HIV and Aids receive comment only without performance data or policy statements. The Company reports on their remuneration policy and explain in detail the short-term and share incentive schemes for all staff. All other topics receive prominence and are supported by actual policy statements and often actual measurements.

The South African Clothing retailer includes a summary of their company values in the introductory part of their report. Employee topics are included in their Group Services report and receive prominence. Their priority is stated as Talent Management which is caused by the “*war for talent*” in the retail industry. Other headings that receive prominence are: Rewarding performance, Equal Opportunities, Training and Development and HIV and Aids. The statements and performance figures related to equal opportunities are related to black staff specifically.

The triple bottom line theory includes the performance of companies in the areas of social, environmental and economic performance. From the analysis of reports it becomes evident that most companies include their comments regarding their economic performance in the financial section of their annual reports. There are however, elements of economic performance that do not logically fit into the financial

report and need to be reported on separately. The next paragraph will analyse the economic performance issues that are included in sustainability reports. The issues that are included in traditional financial reports are deemed important, but the aim is to establish which topics are viewed as long term sustainability issues. In the next table, the sustainability issues that were reported on in sustainability reports are summarised.

4.2.3.9 Economic Performance

Table 4.7: Economic Performance (n = 8)

	Support for Small Business	Support for local business	Suppliers	Profitability	Sales	Procurement from HDSA Suppliers	Black Economic Empowerment	Customers
Int: Telecoms	NR	NR	LTD	NB	NR	NR	NR	NR
Int: Retail	NB	NB	NB	NR	NR	NR	NR	NB
Int: Serv Prov	NR	NR	LTD	LTD	NR	NR	NR	NB
Int: Pharmaceutical	NR	NR	LTD	NB	NB	NR	NR	NR
SA: Mining	NB	NB	LTD	LTD	LTD	NB	NB	NR
SA: Bank	NB	NB	NB	NB	NB	NB	NB	NB
SA: Telecoms	LTD	LTD	LTD	LTD	NR	NB	NB	NB
SA: Retail	NR	NR	LTD	NR	NR	LTD	NB	NB

Important findings from Table 4.7:

- Performance reporting related to sales performance and profits always form part of the annual financial report and are therefore not often included in sustainability reports. The other sections listed above, are seldom included in the annual financial report.
- Reporting on supplier relationships and compliance monitoring of suppliers receive a high level of exposure. Reports reflect a responsibility towards engaging suppliers in the business strategy.
- Customer service and perceptions of customers are reported on in businesses where customer service is important. In the case of mining, the customer does not feature as an important enough aspect to report upon.

- Support for local and small business is important in industries like Banks, Retailers and Mining Companies. Companies that operate across the borders of their own country appear to view this as an unimportant issue. The International retailer specifically, elevates the importance of small business development as a national priority. Considering the importance of a country's industrial competitiveness, their initiatives to contribute to the development of small business is praiseworthy.
- South African companies express support for the Government's BEE strategies and place a lot of importance upon the development of small black owned companies within their geographical areas.

If summarised, the overall theme of the Economic sections reflect a developmental responsibility towards their suppliers and small businesses. This supports the spirit of the Brundlandt Report (1987) which records the need for world-wide economic growth to solve the challenges that face the planet.

From the reports that were included in the qualitative analyses it becomes clear that the economic responsibility that companies have is, firstly, to generate profits from their own operations and secondly, once they've become profitable, to contribute to small, growing businesses in their area of operations. The conclusion from this is that the Management of companies have a responsibility towards their own business in the first instance. Once they have started to achieve success, they have the responsibility towards the development of small businesses in their own countries.

The leading International telecommunications company expresses a responsible approach when they state that: *"running a successful business is a fundamental first step to good citizenship, with manifold societal benefits"*. The report continues to highlight the fact that their profitability makes a significant contribution to the global economy. These contributions include job creation, stable employment and taxes. The job creation extends to their suppliers as well and is not limited to their own workforce. This high level of profitability enables the company to invest in ethical and environmental programs.

The International retailer reflects an extremely high level of loyalty to the suppliers in their own country, when they state *"We will source 70% of organic produce from the UK by the end of 2006"*. This loyalty is supported even further when they report that *"We already use 3500 small, local producers and are looking to increase this number"*

over the next year.” In summary, the report reflects a high level of responsibility towards assisting small and rural business to grow. Their lack of attention to profitability in their sustainability report is well balanced by the “good” work being done to assist small business that will contribute to the growth of the British economy.

The International Service provider allocates a heading to ethical procurement which includes some policy statements, like:

- We aim to pay our creditors promptly
- We aim to award business solely on merit, without favouritism, and look to secure products and services at the best available terms.

Ethical and environmental standards are an important part of this equation. The report appears to be prompted by guidelines rather than a conviction or strategy that is embedded within the company’s method of operating.

The International Pharmaceutical company reports extensively on sales and profitability. These statements are supported by their statement regarding creating value which states:” *Our business model is focused on creating sustainable value for all our stakeholders: not just for our shareholders, but also for patients, our employees and society at large*”. This reflects the approach that profits are an enabler that allows the company to create benefits for all. Little is stated about this value that is created although the intention is to develop a framework whereby the company will be able to report in the future.

The South African Mining Company disclose actual spend with Historically Disadvantaged South African (HDSA) suppliers as well as their initiatives to support small business in their area of operation. Comments regarding the company’s HDSA procurement are influenced by their membership of the South African Mining Preferential Procurement Forum (SAMPPF). The comments create the impression that their objective is compliance with the rules of the Mining Charter rather than a voluntary strategic direction. The comments related to profitability that are included in the report, refer to shareholder value that has been created. The report includes no other indications of additional economic value that has been created except to benefit their own company.

The South African Telecommunications Company ranks their Corporate Reputation as a priority in the initial paragraphs of the economic section of their sustainability

report. Local supplier support, BEE performance and Customers are the other important headings used in this report. Little information regarding trends or actual achievements is included in the report. Most of the economic section includes policy statements and good intentions.

The South African Bank expresses their support for the South African Financial Sector Charter in the opening paragraphs. The Bank records its “*commitment to the charter in terms of its spirit and not merely as a compliance obligation*”. The balance of the report expresses the same sentiment in comments like: “*Business units are encouraged to bring new BEE suppliers on board who previously did not have access to the Bank*”

The South African Retailer includes the traditional financial report and does not report on any contribution the development of the economy outside their own business.

The paragraphs above include a summary of the main sections of reports and the most commonly used sub-headings. The main sections reflect the main areas that companies view as important for the sustainability of their business. The sub-headings are more detailed in terms of actual performance and can be viewed as the specific performance areas that companies see as important for overall sustainability.

The most significant findings from the qualitative study lead to conclusions that are important for the development of simplified guidelines. These findings are summarised in the next paragraphs.

4.2.3.10 Summary of the Findings from Qualitative Analysis:

The qualitative study was conducted by analysing the actual sustainability reports of leading companies in Europe, Scandinavia, United Kingdom and South Africa. The researcher has also been involved in consulting in Sustainability for the last four years, which allowed more insight into the manner in which companies approach sustainability reporting. The main findings from the analysis is summarised in the categories that were analysed and summarised in this document.

- The main themes used in reports:
 - Reflect more of a responsibility towards the total environment where the companies operate than its negative impacts.

- Support the reason for existence of the companies to have shifted towards the importance of creating value for all stakeholders.
- Reflect an approach that the sustainability of the company is a pre-requisite for its ability to contribute to the sustainability of its environment, the economy that surrounds it as well as the communities that support it.

The qualitative analysis provides an insight into the most frequently and most important topics that should be included in a simplified framework. As this analysis included international as well as local companies, it provides a balanced view of topics that companies view as important enough to disclose to stakeholders. The analysis was conducted by analysing actual annual reports that were issued by companies. By conducting the analysis this way, the researcher was not influenced by comments from Executives but only the actual content of reports.

The sustainability reports that were included in the analysis include significant detail about the companies' sustainability performance. The number of topics that were selected to report on provides evidence that leading companies are serious about their company's non-financial performance. Companies from the Northern hemisphere reflect a more responsible approach to their business activities and sustainability topics are more integrated into their business strategy than the South African companies that were included in the study. This more responsible approach is reflected in their contributions that they make towards National and Global priorities like energy savings and their contribution to the development of small business in their areas. The selection of performance areas by Northern hemisphere companies are aligned to the strategies of their businesses and more appropriate to the industries where they operate. Northern hemisphere companies are more advanced in terms of sustainability than South African companies. South African companies display a more "follow me" approach and attempt to follow guidelines more slavishly than the Northern Hemisphere companies. This approach by South African companies result in a situation where their reports have less credibility than their counterparts in the Northern Hemisphere.

South African companies have started to make the move towards the creation of benefits for all stakeholders, whereas the International reports have come to terms

with the fact that they exist for the benefit of a wider group of stakeholders which includes shareholders but is not limited to them.

The triple bottom line has formed a good initial structure for sustainability reporting, but the next phase in its development has commenced. This next phase includes a more balanced approach between the external impacts of a business and its responsibility towards the development of its operating environment. The approach also acknowledges that business has a responsibility of developing the internal competencies of the business in order to make the company more competitive and profitable in order to be able to contribute to the development of its operating environment.

In overall terms, the triple bottom line with its three pillars has formed a good initial structure for sustainability, but the next phase will contain more pillars than the triple bottom line. The move is towards a realisation that the company itself needs to be sustainable in order to be able to contribute to the sustainability of the environment within which it operates. The move will be made from an *“impact upon”* mindset towards and *“impact upon as well as a contribution towards”* mindset. Stated differently, companies will move from reporting upon their impacts on the social, economic and environmental well-being to one that also asks for the contribution that it has made towards the development of their own company and the contribution towards their external environment.

The conclusions summarised in this paragraph have been made from the study of the corporate sustainability reports and the researcher’s experience in the approach by companies. This conclusion is investigated further in the next chapter where the researcher issued a questionnaire to selected listed companies in South Africa. This questionnaire was developed after the completion of the qualitative analysis. The results from the qualitative analysis have been used as input to the development of the questionnaire. The quantitative research approach and the results are discussed in the next chapter of this study.

4.2.4 Stakeholder Engagement

Sustainability reporting is about stakeholders. The comments included in reports are discussed in this paragraph.

One of the participants, the International Cell Phone Company, actively engages with stakeholders. This is evident from their stakeholder days and their working with suppliers, competitors, customers, recyclers, public authorities and their own people.

Another participant dedicates an early section of their report to Stakeholder issues. They record their stakeholders as customers, pressure groups and regulators. The report emphasises the importance of company reputation and image. The company has a detailed compliance policy which may have been necessitated by the regulated industry that they operate in. The report reflects intentions related to stakeholder engagement, but little evidence of actual engagement.

The International Pharmaceutical Company reports that the stakeholder groups that they engage with include customers, shareholders, employees, authorities, NGO's, suppliers and business partners. The most important stakeholder group appears to be shareholders as this is the only category that reflects the number of people that they have engaged with.

The South African Bank lists their most important stakeholder engagement activities to be with Customers, shareholders, government organisations, suppliers and employees. The report includes comments regarding the stakeholder groups that they engage with but little evidence of the results of the actual engagement.

Other participants reported no engagement with stakeholders in their reports. In summary, leading companies define the stakeholders that have an impact on their business and then engage constructively with them. These companies also engage with those organisations that will enhance their image if they are seen to be engaging with them.

4.2.5 Quantitative Analysis

4.2.5.1 Introduction

The researcher elected the following approach to the research of the selected topic:

- Firstly, the literature study was completed. The purpose of this was to establish the general views held by different authors on the subject.
- Secondly, the qualitative analysis was completed. The purpose of this was to determine the approach adopted by leading companies in

South Africa and Internationally. This part of the study also allowed the researcher to establish the most commonly selected performance areas that were included in reports.

- Thirdly, a questionnaire was developed from the literature review and the qualitative report analysis that would be sent to leading South African companies to complete. The analysis of the questionnaire would provide additional findings that the researcher would be able to use as input to the development of a simplified framework that could be used by reporting companies.

The questionnaire was developed in order to elicit a response from leading sustainability reporting companies. The reason for developing a questionnaire was to obtain responses from reporting companies from the completion of a questionnaire that would not be influenced by bias or the eloquence of the individual. This was viewed as a potential risk that may be encountered in an interview with the respondent.

As sustainability reporting is still in its infancy, the researcher was faced with the fact that the population, from which a sample could be selected from, was small. The purpose was to obtain a response from company executives that were familiar with the subject of sustainability reporting. The population and the selection of the sample will be discussed in the next paragraph.

4.2.5.2 The Population and Selection of Sample

The issuing of Sustainability Reports by any company is a voluntary process. It is neither prescribed nor mandatory in any way. The format and content is also not prescribed. This situation provides a challenge as the population includes all the companies that issue sustainability reports. The Global Reporting Initiative (GRI) issued guidelines (2002) which are the most frequently used by companies across the globe. GRI also encourages reporters to register their sustainability reports on the GRI web-site. (www.globalreporting.org). At the time of this report 870 companies worldwide have registered their reports on this web-site. A total of 24 South African listed companies were included in this total. It is reasonable to accept that the Companies that register their reports on the GRI web-site are serious about Sustainability Reporting and that they display a fair amount of confidence in the quality of their report.

The researcher is South African and has been involved in South African Business for his entire career. The planned framework is intended for use by South African listed companies, therefore it was important to understand what South African Companies wish to include in Sustainability reports. For this reason it was decided to limit the quantitative study to South African companies that are listed on the Johannesburg Securities Exchange.

The Johannesburg Securities Exchange launched the Social Responsibility Investment Index (SRI) in South Africa during 2003. 56 companies were included in the SRI Index. Companies were not required to issue a sustainability report to qualify for inclusion in this Index. This means that companies can be included in this index even if they don't issue a sustainability report. Although these companies may support the principles of sustainability, they may not issue sustainability reports.

As it is important to include Companies that have experience in the issuing of Sustainability Reports, it was decided to target the 24 companies that are listed as reporters on the GRI Index and are listed on the JSE. The size of the population is a limitation of the study, but to include Companies that have no experience in Sustainability Reporting would add little value to the study. The researcher decided to limit the study to the 24 Companies that illustrate a competence in the area of sustainability reporting.

The company's Sustainability Executives and the Financial Directors were called by telephone and 12 eventually completed and returned the questionnaire. The 12 were accepted as these companies were the leaders in sustainability reporting and the most meaningful information could be obtained from them. The response rate was 50% of the total population, which is satisfactory for a new concept like sustainability performance reporting.

4.2.5.3 Industry Response

The responses included the following industries:

Table 4.8: Industry Participation

Industry	Frequency	Percent
Financial	3	25.0
Information Technology	1	8.3
Manufacturing	2	16.7
Mining	2	16.7
Retail	2	16.7
Telecommunications	2	16.7
Total	12	100

Table 4.8 above indicates that Companies from 6 different industries responded to the questionnaire. The result provided a fair representation of industries which allowed the researcher to compare responses and identify differences between industries.

The size of population is small at this stage and places a limitation on the study. This is a result of the fact that sustainability reporting is still a new concept. Indications from the literature review are that the pressure on companies to report on non-financial issues is increasing (Henkes, 2007). This will increase the number of companies that issue such reports. Within the next few years this population will grow significantly, which will allow future studies to investigate the concept in more depth.

The questionnaire that was used in the study was developed after the completion of the literature review and the qualitative analysis. The questionnaire is attached as Annexure 2. The questionnaire was designed to confirm or refute the findings from the earlier analysis. The approach to the questionnaire will be discussed in the next chapter.

4.2.5.4 Methods Applied to obtain Responses

The researcher telephonically contacted the Company Secretaries of companies that were identified in the selection of the sample. Questionnaires were e-mailed to specific individuals (Financial Directors, Company Secretaries and Sustainability Executives). After 6 weeks all the companies that had not responded were contacted again and a reminder e-mail was sent. After a further 6 weeks, 11 completed questionnaires were received. The researcher then contacted a number of companies and one additional response was received. It was surprising to learn how

many companies do not participate in any research as a company policy. Some even wrote letters to inform that they would not participate.

The analyses of the responses was planned to answer the following questions:

- The company's own opinion regarding Sustainability reporting
- The respondent's personal view on the Importance of Sustainability reporting
- The most important sections and performance indicators that should be included in future sustainability reports

The following paragraphs will summarise the approach that was adopted in the analysis of the responses.

4.2.5.5 Data Analyses

Despite the small number of responses, that puts a limitation on the ability to analyse the data, the results of the analysis proved meaningful enough to reach conclusions. Due to the small population and the response of 12 companies, it was decided to use descriptive statistics which is an accepted method to describe the basic features of the data. It provides simple summaries about the sample and the measures. (www.socialresearchmethods.net/kb/statdesc.php). Descriptive statistics enables the researcher to understand what the data shows.

Descriptive statistics are used to present quantitative descriptions in a manageable form and helps to simplify large amounts of data in a sensible way. Descriptive statistics simply describes what is or what the data shows (<http://www.socialresearchmethods.net/kb/statdesc.php>).

The results from the analysis are presented in the next paragraphs.

4.2.5.6 Analyses of Part 1 of Questionnaire: Background Information

In the first part of the questionnaire, the researcher requested information about the company. This provided information about the company with regard to:

- Size of company
- Whether the company is listed on the JSE,
- Whether the Company is included in the Johannesburg Securities Exchange Social Responsibility Investment Index

- Whether the company issues non-financial reports and more.

4.2.5.6.1 Period Listed on the Johannesburg Securities Exchange

Table 4.9: Number of years that companies were listed (n = 12)

Number of Years	Frequency	Percent
9	1	8.3
10	1	8.3
12	1	8.3
20	1	8.3
28	2	16.7
30	1	8.3
39	1	8.3
40	2	16.7
97	1	8.3
Total	11	91.7
Not Indicated 1	1	8.3
Total	12	100

Table 4.9 indicates that all the Companies that responded to the questionnaires have been listed for a long time. The time ranges from 9 to 97 years. This indicated that all the companies were established South African Companies.

4.2.5.6.2 Size of Company

Table 4.10: Annual Turnover (n=12)

	Frequency	Percent
Less Than R100m	1	8.3
R1000m and more	11	91.7
	12	100

Table 4.10 illustrates that 91.7% of the companies included in the study were large companies with an annual turnover that exceeded R 1000m. The smaller company has been listed for more than 20 years and remains a leading company in South Africa.

4.2.5.6.3 Membership of Johannesburg Securities Exchange Social Responsibility Investment Index. (JSE SRI)

Table 4.11: Is the company a member of the JSE SRI? (n=12)

	Frequency	Percent
Yes	11	91.7
No	1	8.3
Total	12	100

Eleven of the twelve companies included in Table 4.11 are members of the Johannesburg Securities Exchange Social Responsibility Investment (JSE SRI) Index which indicates that these companies have integrated the principles of the triple bottom line in their business activities.

4.2.5.6.4. Use of Guidelines

Table 4.12: Does the company use guidelines to compile their report? (n =12)

	Frequency	Percent
Yes	11	91.7
No	1	8.3
Total	12	100

Table 4.11 confirms that eleven of the twelve companies use the GRI guidelines when compiling their sustainability reports.

4.2.5.6.5 Name used for Sustainability Report

Table 4.13: Name of report (n=12)

	Frequency	Percent
Sustainability Report	10	83.3
Other	1	8.3
Total	11	91.7
Not indicated	1	8.3
Total	12	100

This result reflected in Table 4.12 corresponds with the findings from the qualitative analysis, where South African companies favour the term Sustainability Reports. It is

however different from International firms that prefer to call their reports Corporate Responsibility reports.

4.2.5.7 Analysis of Part 2: Opinion with Respect to Sustainability Reporting

In the first part of part 2 of the questionnaire the researcher tried to establish the opinions that companies have towards sustainability as a strategic issue. The following table number 4.14 summarises the analysis of the responses.

Table 4.14: Opinions towards Sustainability Reporting (n = 8)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
8.1 A company should report on the strategies that the company follows to ensure the long term sustainability of the company	7	5			12
8.2 The sustainability of the company is as important as the sustainability of the environment in which it operates.	5	7			12
8.3 A company should report on the way that the company contributes to the societies that sustain it.	4	8			12
8.4 A company should report on its contribution toward the improvement of its physical environment.	3	8	1		12
8.5 A company should report on its long-term objectives	5	7			12
8.6 A company should report on the integration of sustainability related factors into core decision making.	3	9			12
8.7 A company should report on its performance against non-financial goals	4	8			12
8.8 Companies should report on its contribution towards the achievement of National priorities.		9	2	1	12
8.9 All companies should include sustainability topics in its strategic plans	5	7			12
8.10 Non-financial performance measurement results should be compared to, at least, the prior year	6	6			12

The following general conclusions can be made from the analysis presented in Table 4.14:

- Strong agreement exists that sustainability reporting should include the strategies that a company follows to ensure the long term sustainability of the company. 100% of the respondents expressed agreement to this question.
- All the respondents agreed that the sustainability of the company is as important as the sustainability of the environment where it operates.
- The contribution that companies make towards the societies that sustain it receives strong support.
- Strong support was expressed for the integration of sustainability objectives and strategies into the strategic plans of companies.
- The opinion regarding the sustainability of our physical environment and a company's contribution to it is skewed by companies that have been classified as "low impact" companies. This is an educational issue as retailers and banks cause an indirect impact on the environment that can be attributed to the products, packaging, paper usage, electricity consumption and more.
- The most important finding is the opinion regarding a company's contribution towards National Priorities that is very neutral compared to the other questions. This finding confirms the findings from the qualitative analysis where South African companies reflect a lot less responsibility towards National Priorities. This area is recommended for future research.

The table above (Table 4.14) summarised the opinions of the respondents. There is agreement that companies should include sustainability topics in their strategic plans and should report on their non-financial performance. Further agreement exists that the company's own sustainability is paramount and only once this has been achieved will a company start contributing to the communities that surround it. The lower than average support for National priorities may be attributed to a parochial view of the company's own existence.

4.2.5.8 Company Views towards Sustainability Reporting

In the second part of part 2 the researcher wanted to establish the respondent's view about the importance of sustainability reporting. The questions were structured in a way that would provide some answers to the questions of:

- Whether Companies should issue sustainability reports
- Whether the responsibility for sustainability should be allocated to a Board Member
- Whether the company views sustainability reporting as important for the reputation of the company
- Whether the company views sustainability reporting as important for the image of the company
- Whether a company should communicate regularly with different stakeholder groups
- Whether companies view external verification of reports as necessary

The views expressed by Executives from reporting companies will provide an indication of the future existence of sustainability reporting.

Table 4.15: Company View towards Sustainability Reporting (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
9.1 All companies should issue a sustainability report.	1	7	2	2	12
9.2 All companies should have a Board member who is responsible for Sustainability reporting	2	5	2	2	11
9.3 Reporting on non-financial performance is important for the reputation of the company	3	7	2		12
9.4 Reporting on non-financial performance of the company is important to the image of the company	3	6	3		12
9.5 A company has to communicate regularly with all its stakeholder groups	4	7	1		12
9.6 All sustainability reports should be verified by an independent party	3	5	2	2	12

Findings from Table 4.15 include:

- Most of the respondents, eleven out of twelve, agree that it is important to communicate regularly with stakeholders.
- Most respondents agree that reporting of non-financial performance is important to the reputation and image of the company.

- The respondents do not all agree that all companies should issue a sustainability report.
- All the respondents did not agree that there should be a Board member responsible for sustainability reporting. 2 companies strongly disagreed.
- Verification of sustainability reports by an external party is undecided and the views vary significantly.

The companies that are included in the quantitative research do not all agree that companies should issue a sustainability report. This finding is important as South African companies do not appear to have accepted sustainability reporting as important for the business, its image and its reputation. This is confirmed by the fact that there is disagreement regarding the responsibility at Board level and verification by external parties.

The responses can be attributed to the fact that sustainability reporting is still in its infancy and that companies have not yet integrated it into business strategy. This finding also indicates that the future of sustainability reporting in South Africa is not as secure as it may seem internationally.

The findings from this part indicate that South African companies may still hold the view that the main purpose of business is still aimed towards shareholders as the main beneficiary from company performance. This view is tested in the next paragraph.

4.2.5.9 Criterion for Success of a Business

The view regarding the purpose of business has started changing over the last 2 decades. The literature indicates that companies have a responsibility towards a wide range of stakeholders. The responses from the companies included in the survey are reflected in Table 4.15 below.

Table 4.16: Criterion for Success of a Business (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
10.1 To maximize value for Shareholders	2	4	1	2	9
10.2 To create a “desirable future state” for all stakeholders	4	4	1		9

From Table 4.16 above it is clear that consensus regarding the criteria for success does not exist. The responses can be summarised as follows:

- Companies are more likely to agree to 10.2 above. This indicates that the shift towards a stakeholder view is growing in importance.
- Additional comments that were made by some companies indicate that the need to make profits is a prerequisite for contributions to the societies that surround the business. It therefore appears that there is a stage where shareholder requirements are paramount and this is followed by a broader view once companies exceed certain levels of profits.

4.2.5.10 Summary of Findings on Views and Opinions

The paragraphs regarding opinions and views provided answers to questions about the importance of sustainability reporting and its possible future. The responses lead to the conclusion that companies see benefits in issuing such reports as there is a need to frequently communicate with stakeholders about the company’s non-financial performance. The responses indicate that there is not a total commitment to the future of sustainability reporting. The sample consists of companies that appear to be serious about sustainability reporting, yet some doubt is reflected in their views about the topic.

The next part of the questionnaire investigates the desired content of reports. The major objective of this study is to determine the desired content that should be included in reports. The research will allow the researcher to develop a simplified framework for reporting. The researcher holds the view that a simplified framework will encourage more companies to issue sustainability reports.

In the next paragraphs, the responses to the questionnaires are analysed. From this analysis the researcher will be able to develop a simplified sustainability reporting framework. It has to be emphasised that the concept of sustainability reporting is still new to most companies, but there are a number of companies that have issued their 2nd and 3rd reports.

4.2.5.11 Analysis of Part 3 of the Questionnaire

The questionnaire was developed after the completion of the exploratory study. The findings from this study as well as some of the most popular guidelines were used to develop the questionnaire. The third part of the questionnaire was divided into 8 sections namely:

- Introduction to a sustainability report
- Community Involvement
- Employees
- Environment
- Customers
- Suppliers
- National Priorities
- Intangible Assets

Every section included a number of questions that were related to specific areas of performance that should be considered for inclusion in reports. A significant finding from the exploratory research was that existing guidelines were very prescriptive in providing detail about a performance indicator. The reports that were analysed indicated a preference toward a performance area that could be customised for their specific business and industry. The performance area approach provides more scope than a narrow specifically prescribed performance indicator. The different sections are analysed in the next paragraphs.

4.2.5.12 Introduction to Reports

During the qualitative analysis it was established that all reports should include an introduction to the report. The main objective of this section is to position the report and the content included in the report. The table below reflects the sub-headings with the responses from companies.

Table 4.17: Introduction to the Report (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
1.1 CEO message to stakeholders	6	5	1		12
1.2 Strategic Objectives	8	4			12
1.3 Company vision/mission/credo	5	6	1		12
1.4 The company's policy regarding sustainability	4	8			12
1.5 The company's approach to the management of the company's internal sustainability performance	4	7		1	12
1.6 The company's approach to its contribution to the sustainability of its external environment	5	7			12
1.7 Corporate governance and ethics	6	6			12
1.8 Value added statement	2	9	1		12

It is clear from Table 4.17 that:

- All companies express strong agreement that the following topics should be included in the introduction to the report:
 - CEO message to stakeholders
 - Strategic objectives
 - Corporate Governance and ethics
 - The company's approach to the management of its internal sustainability performance
 - Company vision and mission
 - A message to all stakeholders.

- Although most companies are likely to agree to the inclusion of a value added statement, it appears that support for this is not as strong as for other topics

In summary, there is consensus that sustainability reports should be positioned in its introduction. This will assist to place the rest of the report in context.

The introduction to the report is followed by the company's report in the different performance areas. The performance areas will be analysed within the main sections in the next paragraph.

4.2.5.13 Performance Areas: Community Involvement

Table 4.18: Community Involvement (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
2.1 Support for charities	4	7	1		12
2.2 Sponsorships and donations	2	9	1		12
2.3 Employment of people from local communities	4	6		2	12
2.4 Support for local small business	4	7		1	12
2.5 Impacts on communities	5	6	1		12
2.6 Support for local communities	3	8		1	12
2.7 Child labour policies and practices	2	9		1	12
2.8 Forced labour policies and practices	3	8		1	12
2.9 Staff participation in volunteer social responsibility activities	4	8			12

Note:

The questions included in Table 4.18 above were selected to establish which performance areas impacted upon the local communities and then the broader community.

From Table 4.18 it is clear that:

- There is agreement that companies need to report on the contribution that they make towards local communities.
- It is important to note that support to local communities leans towards the neutral. The reports that were included in the exploratory study indicated that international companies reflected strong support for their local economies.
- Respondents agree to the performance indicators that are included by GRI guidelines and others relating to forced labour and child labour. The qualitative analysis reflected that these are seldom included in reports.
- The response to the employment of people from local communities reflects some doubt amongst respondents. This is a contradiction to International companies, but confirmation of the findings of the qualitative analysis for South African Companies.

- There is agreement to the support for local communities and support for local small business, but it appears that this support is not as strong as reflected in international reports.

The principles of sustainability and the triple bottom line strongly argue that companies have a responsibility towards their immediate communities and should report on it. Although South African companies reflect agreement, companies have to realise that they have a contribution to make towards the economic upliftment of communities.

4.2.5.14 Performance Area: Employees

Table 4.19: Performance Area: Employees (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
3.1 Company performance culture	5	6	1		12
3.2 Compensation and benefits	5	6	1		12
3.3 Employment practices	5	7			12
3.4 Ability to attract talented employees	5	6	1		12
3.5 Training and development of all levels of employees	6	6			12
3.6 Worker Health and safety statistics	5	7			12
3.7 Nett Employment creation	4	7	1		12
3.8 Equal opportunity policies and programs	4	8			12
3.9 HIV/Aids policies and programs	4	8			12
3.10 Promoting diversity and inclusion	3	8	1		12
3.11 Shared values	5	5	2		12

Note to Table 4.19:

Although all the guidelines, including GRI include the topic of Employees under the social category, the exploratory study indicated that the topic warrants a dedicated section. The quantitative analysis confirms this as all the ratings under the employee section receive agreement.

Table 4.19 indicates that:

- The training and development of a company's own employees is the most important sustainability related performance area. This finding is supported by companies across the entire world.
- Although the exploratory study proved that HIV and Aids is a performance topic for all South African companies, this performance area is agreed upon by all companies included in this analysis.
- Nett employment creation in many company's views, is the real reason for existence, and this is confirmed in this analysis.

The quantitative analysis confirms that employee development and other employee related performance indicators receive strong agreement from all respondents. This confirms the findings of the qualitative analysis as well as the literature. The development and retention of employees is a performance area that can be closely linked to the performance of the company. This emphasis on employees indicates that companies are focused upon the long-term sustainability of the company. Employee related performance is internal to the company, which elevates the importance of an internal sustainability focus by the management of the company.

Although the "Employee" section is not one of the pillars of the triple bottom line, the topic is included under the Social pillar in most guidelines. The finding from this study is that the topic of employees justifies a dedicated section in a sustainability report.

The next "pillar" of the triple bottom line is environment. This will be analysed in the next paragraph.

4.2.5.15 Performance Area: Environment

A company's impact on the environment is the next pillar of the triple bottom line. Different industries have different impacts upon the environment and this results in companies adopting a different approach to reporting with regard to environmental impacts and performance. It is expected that a mine will have a more severe impact on the environment than a bank. In the same manner, a pharmaceutical firm will have a bigger responsibility towards emissions than a telecommunications company. It is expected that this section will provide some findings that will indicate these differences.

The analysis of the questionnaires is summarised in the next table.

Table 4.20: Performance Area: Environment (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
4.1 Scope of environmental impact	5	7			12
4.2 Environmental policy and practices	5	7			12
4.3 Steps taken to improve energy efficiency and actual performance	5	7			12
4.4 Packaging policies	3	5	4		12
4.5 Recycling	4	6	2		12
4.6 Waste management	5	7			12
4.7 Reduction of emissions including CO2 emissions	5	7			12
4.8 Fuel efficiency	4	7	1		12
4.9 Water management	5	7			12
4.10 Electricity savings programs and actual savings achieved	5	7			12

From Table 4.20 it is interesting that there was a:

- Strong agreement expressed towards the need to include a company's environmental policies and scope of environmental impact in reports, which confirms the findings from the exploratory study that companies are prepared to report on policy issues, even if there is a lack of internal measurement systems.
- In spite of the publicity around waste reduction and the impact of packaging waste, some companies are still undecided about these related topics. International companies report a much higher responsibility towards steps taken to reduce waste and improve recycling.
- An agreement with respect to companies' responsibility towards the conservation of energy resources.

Although the findings from the qualitative analysis differs from the findings of the quantitative research in terms of the protection of the environment, the intention of companies indicate that more environmental related performance will be reported upon in the future.

The three pillars of the triple bottom line are: Environment, Social and Economical. The qualitative analysis indicated that the environmental and social performance will

be included in sustainability reports. The findings highlighted that economic issues appeared somewhat confusing as most companies included economic performance in their annual financial reports. In spite of this tendency, most companies reported on issues that were included under the economic heading in separate sections. For this reason, some of the topics that were normally included in the economic section of reports, justified dedicated sections. The most prominent of these sections are suppliers and customers. These sections will be discussed in the next paragraph.

4.2.5.16 Performance Area: Customers

Table 4.21: Performance Area: Customers (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
5.1 Customer satisfaction	4	6	2		12
5.2 Customer retention	3	7	2		12
5.3 New Customer growth	3	7	2		12
5.4 How are we seen by customers?	4	7	1		12

From Table 4.21 we see that:

- Most companies agree strongly that the satisfaction of their customers is important to measure and include in sustainability reports.
- All customer related topics relevant to the company and industry need to be included in reports.

In the qualitative analysis the importance of reporting on customer related topics was established. Most of the companies that were included in that analysis reported on their customer performance. Mining and large pharmaceutical companies did not report on customers as the nature of their business is more production orientated with a small number of staff responsible for service to customers. Retailers, Telecommunications and Financial Services companies reported extensively on their customer service performance and highlighted the importance of customer retention and new customer growth. The quantitative analysis confirms the findings of the qualitative analysis as there is strong agreement towards customer related performance.

For many companies, the performance of their suppliers and the relationship with their suppliers determines their success to a large extent. The supplier section of reports is analysed in the next paragraph

4.2.5.17 Performance Area: Suppliers

Table 4.22: Performance Area: Suppliers (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
6.1 Supplier requirements	3	8	1		12
6.2 Supplier compliance monitoring	2	9	1		12
6.3 Supplier labour practices	3	7	2		12
6.4 Encouraging local suppliers and supporting local suppliers	4	8			12
6.5 Preferential procurement policies and actual performance	3	9			12
6.6 Communication with suppliers	2	8	2		12

Table 4.22 above indicates that:

- Supplier related performance issues are mostly included in the Economic section by the popular guidelines, but their importance and general support by all companies warrants a specific section.
- The supplier has become an important partner to the company as suppliers have a major impact upon the performance of the company. To enhance this relationship and to influence the supplier to support the company's image and standards, companies and suppliers have a responsibility to contribute to one another's business in different ways. Examples of this are reflected in the strong agreement regarding supplier requirements and compliance monitoring.
- Most South African companies reflect a strong agreement towards the support for local suppliers. This view is partly as a result of the Black Economic Empowerment Charters that apply to the Financial Services and Mining Industries in South Africa.
- Large companies expect suppliers to meet certain requirements that reflect the same values as the company itself.

It appears that South African companies are committed to the fact that reliable suppliers should be treated as business partners that will enable the company to serve customer needs better.

International reports have included elements of their country's national priorities in their reports. The international companies reflect a loyalty to their own economies and societies. This section was included in the quantitative analysis due to the importance placed on this subject by international companies. The popular guidelines do not specify these topics in their guidelines. The researcher viewed this section as important due to the fact that the South African government had identified and published National Priorities for the country. These priorities included: energy security, poverty alleviation and the improvement of our industrial competitiveness.

The response to the questionnaire on the topic of National Priorities is discussed in the next paragraph.

4.2.5.18 Performance Area: National Priorities

Table 4.23: Performance area: National Priorities (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
7.1 Contribution to the improvement of the health of the nation	3	5	3	1	12
7.2 Job Creation	4	7	1		12
7.3 Contribution to the saving of energy	4	6	2		12
7.4 Reduction of environmental pollution	4	7	1		12
7.5 Reduction of CO2 emissions	4	7	1		12
7.6 Improvement of industrial competitiveness	3	5	4		12
7.7 Enhance energy security	2	8	2		12
7.8 Actions taken and actual electricity savings	4	8			12

Note:

A number of the questions included in this section were included in the environmental section as well. The researcher wanted to establish the level of commitment from South African companies towards National Priorities.

It is clear from Table 4.23 above that:

- In comparison with the other sections that were analysed, this section enjoys the lowest level of agreement between the respondents. The qualitative analysis also reflected little support for national priorities by South African Companies.
- The International companies that were included in the qualitative analysis reflected a higher degree of support for National priorities than South African companies.
- The improvement of our Industrial Competitiveness is a stated South African National priority, yet most companies are neutral about this issue.

The findings from the questions that relate to national priorities indicate that South African companies have not yet come to terms with the contribution that they can make towards creating a better South Africa for all its citizens. The most important principle of sustainability is to develop your company into a long-term sustainable business and contribute to the environment that surrounds you in a way that will ensure its long-term sustainability. South African companies still have a way to go in this regard.

In the next paragraph, the researcher wanted to establish the view of companies regarding the inclusion of intangible assets in their sustainability reports. The reason for this is that intangible assets are essentially non-financial as they are not included in annual financial reports, yet they have a major impact upon a company's long-term future. Intangible assets are discussed in the next paragraph.

4.2.5.19 Performance Area: Intangible Assets

The real value of a company is often determined by the value of its intangible assets. The purpose of a non-financial report is partly to inform stakeholders about those values that are not included in the traditional Balance Sheet and Income Statement.

Table 4.24: Performance Area: Intangible Assets (n = 12)

	Strongly Agree	Agree	Neither Agree nor Disagree	Strongly Disagree	Total
	Count	Count	Count	Count	Count
8.1 Intellectual property	1	7	4		12
8.2 The company's innovativeness	3	8	1		12
8.3 Research leadership	1	9	2		12

Table 4.24 above indicates that:

South African companies do not strongly agree that the topic of Intangible Assets should be included in sustainability reports and that:

- Companies are neutral towards reporting on the intellectual property of the company. This may be caused by the fact that companies do not wish to give away their “trade secrets” or possibly those properties that provide them with a competitive advantage.
- A fair level of agreement exists regarding the need to report on the company's research leadership or innovativeness. The response is however not as strong as experienced in the preceding sections that was investigated.

4.2.5.20 Summary of Quantitative Findings

- **Internal Consistency:**
The internal consistency of the questionnaire was assessed through reliability analysis by using the Cronbach Alpha coefficient. A reliability threshold of .7 or more was found to be acceptable. Each of the issues was measured using at least 3 questions.

Table 4.25: Internal Consistency

Section	Cronbach Alpha
Introduction to report	0.864
Community involvement	0.897
Employees	0.961
Environment	0.939
Customers	0.901
Suppliers	0.911
National priorities	0.948
Intangible assets	0.750

Comment: Table 4.25 above confirms that each of the constructs can be considered reliable.

- Descriptive Statistics

The tables below describe the basic features of the data in the study.

Table 4.26 Descriptive Statistics: (n = 12)

	N	Minimum	Maximum	Mean	Std. Deviation
Introduction to report	12	1.00	2.38	1.6354	.42793
Employees	12	1.00	2.36	1.6667	.50144
Environment	12	1.00	2.20	1.6750	.46734
Suppliers	12	1.00	2.50	1.8472	.46307
Community involvement	12	1.00	2.67	1.8519	.54707
Customers	12	1.00	3.00	1.8542	.58832
National priorities	12	1.00	2.88	1.8750	.58872
Intangible assets	12	1.00	3.00	2.0556	.46782

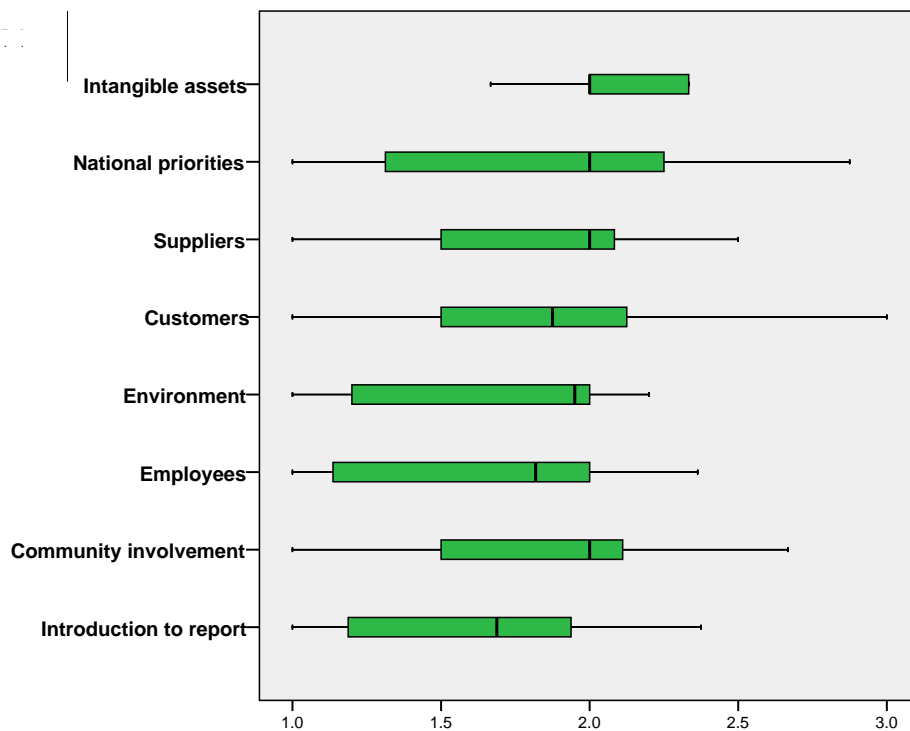
In the questionnaire that was used, the number 1 represented strongly agree and 5 represented strongly disagree. The mean is summarised in Table 4.26 above which indicates that strong agreement exists regarding the inclusion of all the sections in a sustainability report. The section regarding Intangible assets and National priorities receives the least support and tends towards neutrality.

The standard deviation shows the relation that the set of scores has to the mean of the sample. In all the sections above, the standard deviation reflects a small deviation from the mean.

- Outlier Values

The table below indicates the range of the responses received.

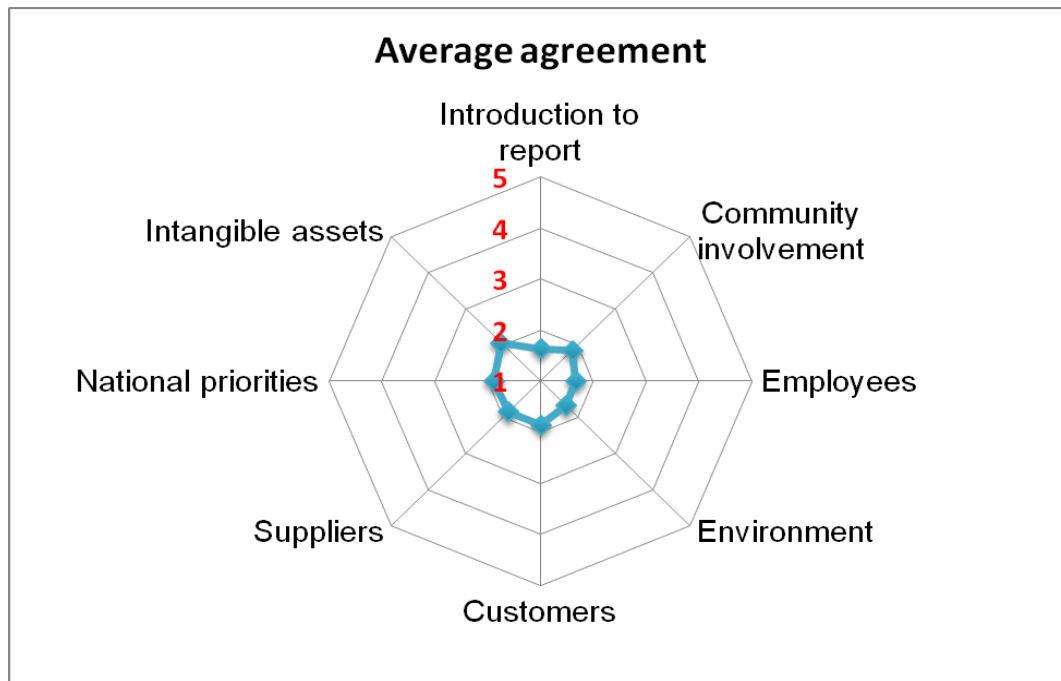
Diagram 4.27 Outlier Values



From the Diagram 4.27 we see that the smallest ranges are reflected in the sections: Introduction to the report, Employees and Environment. The widest ranges are seen in the sections relating to: Customers, National Priorities and Community Involvement. No responses included ratings of more than 3. The small ranges confirm the findings in the qualitative analysis. The wide ranges differ with the qualitative analysis. This difference can be ascribed to the different industries that participated. In the main, the responses indicate that an area like customers is viewed as not important in the mining industry. The wide range reflected in the area of support for National Priorities is a South African trend that is contradicted by European companies.

- Average Agreement

Diagram 4.28: Average Agreement



Note:

Scale:

- | | |
|------------------------------|---|
| ○ Strongly agree | 1 |
| ○ Agree | 2 |
| ○ Neither agree nor disagree | 3 |
| ○ Disagree | 4 |
| ○ Strongly disagree | 5 |

The graph depicted in 4.28 above is proof that there is general agreement to all the sections that were listed in the questionnaire. Intangible assets and National Priorities are furthest away from the centre which displays the widest ranges from the responses. The chart reflects the same results as the previous chapter, but displays it in a different way.

Chapter 5

Discussions, Conclusions and Recommendation

5 Overall Conclusions

The qualitative research was conducted by examining the actual content of existing sustainability reports. The quantitative research was conducted by way of a questionnaire where the researcher wanted to establish from experienced sustainability reporters what they think should be included in future sustainability reports. The questionnaire was developed from the literature study, existing guidelines, the qualitative research and the researcher's own experience in the field of sustainability reporting. The qualitative research therefore looked at the past in comparison to the quantitative research that attempted to find out what should be included in the future.

The purpose of this study was to investigate the sustainability reports issued by listed companies and to establish what reporting companies include in sustainability reports. The study was approached in the following manner:

- The first part of the study was focused on literature. The researcher wanted to establish whether experts predicted that sustainability reporting would increase in significance. In addition, the researcher wished to establish what should be included in sustainability reports.
- The second part of the study included the analysis of eight sustainability reports from leading South African and International companies. In this part of the study, the researcher wanted to establish the actual content of the reports that were issued by leading companies.
- The third part of the study was to establish what leading companies indicated should be included in future sustainability reports. The sample population was defined as the companies that were actually familiar with the subject of sustainability reporting.

The three parts of the research provided information that would allow the researcher to develop a simplified framework that could be used by companies that wanted to issue a sustainability report or for companies that wanted to improve their current reports.

The responses were all analysed and discussed in the preceding paragraphs. The findings from the analyses confirm the following:

5.1 Qualitative Analysis

The findings from the qualitative analysis is summarised in the following paragraphs.

5.1.1 Approach to Sustainability Reports

- International Companies have a “responsibility” approach to sustainability in comparison to South African Companies that favour to use a more prescribed sustainability approach to their reports.
- International Companies reflect a more loyal approach to their countries than South African Companies. South African Companies appear to be more orientated towards compliance of Charters and Guidelines compared to International Companies that integrate Sustainability into their Company strategies. In this regard, International Companies report on performance areas that are more closely aligned to their business strategies.
- South African companies appear to be unsure about the performance areas that will ensure the company’s long term sustainability
- All the reports tended towards the view that the sustainability of the company is as important as the sustainability of the environment where it operates. This is a significant finding as existing guidelines do not separate the two topics.

5.1.2 Use of Guidelines

- SA Companies have a tendency to slavishly follow prescribed guidelines without internalising the subject of long-term sustainability. International companies reflect an approach that is more aligned to company strategy. The International approach is more integrated to company strategy.
- The follow-me approach is reflected in companies that use guidelines.
- International companies have developed a better understanding of the non-financial issues that should be managed and reported.

5.1.3 National Priorities

- South African companies appear to be ignorant of the real South African priorities and tend to follow international guidelines that apply to developed economies.

- In comparison International companies appear to be loyal and committed to their country's priorities.

5.1.4 Future of the Triple Bottom Line

- The well-established triple bottom line has formed the basic structure of sustainability and sustainability reporting in the initial phases of sustainability reporting, but the development of a next phase has started. Although the next phase will include more sections, the ambiguity will be eliminated.
- The most important element of the next phase will be the separation of the Company's own long-term sustainability which is followed by its contribution to the long-term sustainability of its external environment.

The qualitative analysis was aimed at determining the actual content of existing sustainability reports. This enabled the researcher to establish what leading companies currently include in Sustainability Reports. The qualitative analysis was followed by a quantitative study where the researcher established what leading companies would like to include in future reports. In both parts of the study, the researcher targeted companies that were familiar with Sustainability Reporting and that were serious about the topic. The quantitative analysis enabled the researcher to test the performance areas that were included in current reports by leading companies.

5.2 Quantitative Analysis

The quantitative analysis was aimed at establishing what companies would include in future Sustainability Reports. The quantitative analysis was limited to listed South African Companies that registered their Sustainability Reports on the GRI web-site. The analyses confirmed the findings of the qualitative study to a very large extent which enabled the researcher to develop a Framework for Sustainability Reporting and to confirm the desired content of Sustainability reports.

The findings can be summarised as follows:

5.2.1 Overall Findings

The most important findings were:

- Companies do not all agree that all companies should issue Sustainability Reports. This indicates that the future of Sustainability Reporting is not secure in South Africa.
- Companies express the view that it is not a necessity that a Board Member should be responsible for Sustainability Reporting. This indicates that Sustainability Reporting has not been accepted by all companies as important enough to be elevated to Board level.
- There is no consensus that Sustainability Reports should be verified by an external party. This confirms the views that the practice is still not viewed as critical.
- There appears to be a move towards a view that the company exists to create future benefits for all stakeholders. Respondents were more likely to agree to this view than the traditional view that the company exists for the benefit of shareholders only.
- There is a level of doubt amongst the respondents regarding the need to report on the company's contribution to National Priorities. This confirms the findings from the qualitative analysis.
- There is agreement that the company should include sustainability performance in its strategies.
- There is agreement that the company's approach to its own sustainability should be included in Sustainability Reports.
- There is strong agreement that companies should state its company policy regarding sustainability.

The findings summarised above indicate that the future of sustainability reporting is not secured. In addition, the findings indicate that the sustainability of the company is important and should be reported on in the Sustainability Report.

5.2.2 Main Sections

The response from the participants confirmed that at least six sections should be included in future reports. The sections are:

- Introduction to the Sustainability Report
- Community Involvement
- Employees
- Environment

Customers

Suppliers

The respondents had differing views about the inclusion of National Priorities and Intangible Assets.

5.3 Attainment of Research Objectives

The research objectives as defined in Chapter 1 were achieved in most instances. It is summarised as follows:

Objective 1: To establish and quantify the level of importance of sustainability reporting to Executive Management of leading companies.

- This objective was achieved. The fact that sustainability appears to lack Board support indicates that its future is not secure.

Objective 2: To quantitatively identify and describe the benefits that Executives perceive the company can gain from issuing a Sustainability Report:

- The objective was achieved: It must be emphasised that the benefits in terms of image and reputation are understood.

Objective 3: To qualitatively determine what information leading companies most frequently include in their Sustainability Reports:

- The objective was achieved: The qualitative analysis was focused on this area.

Objective 4: To quantitatively determine the performance areas that should be included in future sustainability reports:

- This objective was achieved: The performance areas will be defined in the framework that is discussed later in this chapter.

Objective 5: To quantitatively determine whether National Agenda items should be included in future Sustainability Reports:

- The objective was achieved: It is not certain that Companies wish to include these topics in their reports.

Objective 6: To gather information from the literature and the qualitative and quantitative analysis to allow the researcher to develop a framework that can be used by reporting companies to compile Sustainability Reports:

- This objective was achieved: The framework follows in the latter part of this chapter.

The achievement of the research objectives has allowed the researcher to develop a simplified framework that will encourage companies to issue sustainability reports.

5.4 A Framework for Sustainability Reporting

The development of a simplified sustainability reporting framework has been influenced by the following findings:

- The triple bottom line formed the basis for the establishment of sustainability and sustainability reporting, but as the significance of this practice increases, a next phase needs to develop from this base.
- Non-financial reporting is increasing in its importance as traditional financial reports continue to fail in their ability to inform stakeholders about the long-term sustainability of the company.
- A company needs to report on its own long-term sustainability as well as its impact upon the operating environment and the contribution that it makes to the sustainability of the operating environment. It must be accepted that if a company does not perform and its long-term sustainability is at risk, the company will not be able to contribute to the sustainability of its operating environment. The results of the study indicate that the sustainability of the company is a pre-requisite for its contribution to its environment.
- The research in this study indicated that sustainability reporting is specific to a specific company and the content of reports will for some time into the future still be down to the judgment of company directors. It will take a long time before standardised metrics for sustainability reporting will be developed that will allow comparisons between companies. Pressure to standardise the metrics in order to be able to compare performance between companies in similar industries will continue, but the benefits of the current less prescribed

situation will be sacrificed. The benefit arises mostly from the fact that sustainability can be integrated into the overall strategies of companies and overall strategies for different companies can never be the same.

- The term sustainability reporting may change in the future towards a more corporate responsibility focus as the term corporate responsibility allows companies to come to terms with their responsibilities towards the numerous stakeholders that have an interest in the performance of the company.
- The reason for the existence of a company includes meeting the requirements of shareholders but is not limited to the shareholders. It includes the needs of a large number of stakeholders.
- Non-financial performance reporting has developed into the concept of sustainability reporting. The purpose behind non-financial reporting is to inform stakeholders about the value of the company's non-financial assets and to provide the stakeholder with information that will allow them to make more informed decisions about the future of the company.

5.4.1 Main Sections of Sustainability Reports

The main sections of reports should include at least the following:

- Introduction to the Report
- Employees
- Environment
- Suppliers
- Community Involvement
- Customers

Companies' contribution towards National priorities does not receive adequate support from South African companies. It must be realised that a country cannot develop unless it enjoys the commitment of companies. International companies have internalised this issue and express their support and loyalty towards the development of their country's economies. For reasons of the sustainability of the country and the importance of a commitment from business, the researcher decided to include this topic in the simplified framework.

Although Intangible Assets is not included in the recommended main sections, it should be considered for inclusion in the reports. There will be limits to this as companies do not wish to give away “trade secrets” but the balance must be found as stakeholders require more information about this.

The sections that are recommended in this paragraph should include more detailed performance areas that are tailored to the specific needs of the company and the industry where it operates. These performance areas are listed in the next paragraph. The sections recorded above need to be elaborated upon in order to provide the broad guidelines of the required content of reports. The performance areas should provide enough guidance for companies, yet they should not be too specific as companies follow different strategies to their competitors and the stakeholder should be able to judge whether the company performs in the chosen performance areas. The performance areas that follow are the most likely ones that companies should include in their sustainability reports.

5.4.1.1 Introduction to Sustainability Reports

Table 5.1 Introduction to the Sustainability Report

Section 1	Performance Areas
Introduction to Report	Corporate governance and ethics
	Strategic Objectives
	Company vision/mission/credo
	CEO message to stakeholders
	The company's policy regarding sustainability
	The company's approach to its contribution to the sustainability of its external environment
	The company's approach to the management of the company's internal sustainability performance

The introduction to the report should provide the reader with a view about the company's approach to Sustainability as well as the importance of this topic to the business. The Performance Areas included in Table 5.1 should explain the following:

- Corporate Governance and Ethics: How the Company has integrated corporate governance in the interest of all stakeholders.
- Strategic Objectives: How the Company integrates sustainability performance areas into its traditional business strategies.

- Company vision/mission/credo: What is the company's identity and desired behaviour?
- Chief Executive Officer's message: How does senior management approach the sustainability of the organisation and how does the company intend to create benefits for all stakeholders.
- The Company's policy regarding sustainability: How the Company defines its internal and external sustainability policy.
- The Company's approach to its contribution to the sustainability of its external environment: How does the Company reduce its detrimental impact on the external environment and communities and how does it contribute to the sustainability of the environment and communities in the areas that support the business.
- The company's approach to the management of the company's internal sustainability performance: How does the Company ensure that the Company survives in the long term?

The Introduction to the report has to inform the stakeholder about the company's long-term plans for the future in terms of sustainability.

5.4.1.2 Section 2: Employees

Table 5.2 Employees

Section 2	Performance Area
Employees	Training and development of all levels of employees
	Company performance culture
	Shared values
	Employment practices
	Compensation and benefits
	Ability to attract talented employees
	Worker Health and safety statistics
	Equal opportunity policies and programs
	Promoting diversity and inclusion
	Nett Employment creation
	HIV and Aids policies and programs

The Performance Areas included in Table 5.2 should explain the following:

- Training and development of all levels of employees: What the Company has invested and achieved in terms of the development of their employees at all levels.
- Company performance culture: What the performance culture of the company is.
- Shared values: What the values are that the Company wishes to convey to their customers and the communities that they serve.
- Employment practices: What the principles are that guide employment practises in the Company.
- Compensation and benefits: What the Company's remuneration philosophy is.
- Ability to attract talented employees: What the Company's philosophy is to attract and retain talented employees.
- Worker Health and safety statistics: How the Company ensures a safe working environment and actual statistics of accidents and fatalities.
- Equal opportunity policies and programs: What the progress is in terms of gender and racial equality in the workforce.
- Promoting diversity and inclusion: What is the company's policy regarding the promotion of diversity and what is the current status.
- Nett Employment creation: How many new jobs have been created over the reporting period?
- HIV and Aids policies and programs: Does the Company have an HIV and Aids policy and how does it benefit the Company and the employees.

5.4.1.3 Section 3: Environment

Table 5.3 Environmental Performance

Section 3	Performance Area
Environment	Environmental policy and practices
	Scope of environmental impact
	Steps taken to improve energy efficiency and actual performance
	Waste management
	Reduction of emissions including CO2 emissions
	Water management
	Electricity savings programs and actual savings achieved
	Fuel efficiency
	Recycling
	Packaging policies

The Performance Areas included in Table 5.3 should explain the following:

- Environmental policy and practices: A summary of the Company's environmental policy and practice.
- Scope of environmental impact: The Company's actual areas where there is a detrimental impact upon the environment. Steps taken to improve energy efficiency and actual performance: The Company's actual consumption of all energy resources and the strategies to improve energy efficiency.
- Waste management: The waste produced by the Company and the management thereof. In, addition the actual reduction of waste produced during the reporting period.
- Reduction of emissions including CO₂ emissions: The ways and actual reduction of direct and indirect CO₂ emissions.
- Water management: The actual consumption of water and the results achieved through the management of the resource.
- Electricity savings programs and actual savings achieved: Electricity savings programs in the Company and the savings achieved.
- Fuel efficiency: Strategies implemented and results achieved.
- Recycling: Recycling policy and achievements.

- Packaging policies: Company policy and tactics employed to improve waste generated by packaging of Company products.

5.4.1.4 Section 4: Suppliers

Table 5.4: Suppliers

Section 4	Performance Area
Suppliers	Encouraging local suppliers and supporting local suppliers
	Preferential procurement policies and actual performance
	Supplier compliance monitoring
	Supplier requirements
	Communication with suppliers
	Supplier labour practices

The Performance Areas included in Table 5.4 should explain the following:

- Encouraging local suppliers and supporting local suppliers: The Company's policy regarding support for local suppliers and the amount spent with such suppliers.
- Preferential procurement policies and actual performance: The Company's policy related to procurement from previously disadvantaged suppliers. The actual percentage of total procurement from such suppliers should also be included.
- Supplier compliance monitoring: Whether the company monitors compliance of their suppliers to the principles of sustainability.
- Supplier requirements: The Company's specific requirements of their suppliers.
- Communication with suppliers: Whether the company has special programs to communicate with suppliers with regard to future strategies and tactics.
- Supplier labour practices: Whether the company ensures that suppliers employ fair labour practices.

5.4.1.5 Section 5: Community Involvement

Table 5.5 Community Involvement

Section 5	Performance Area
Community Involvement	Impacts on communities
	Staff participation in volunteer social responsibility activities
	Support for local communities
	Support for charities
	Sponsorships and donations
	Employment of people from local communities
	Support for local small business

The Performance Areas included in Table 5.5 should explain the following:

- Impacts on communities: Whether the Company has identified its potential impact on communities in terms of the business's activities.
- Staff participation in volunteer social responsibility activities: Whether the Company encourages and supports staff participation in community programs.
- Support for local communities: How the Company supports local communities in terms of health, education and housing.
- Support for charities: Actual non-financial support given to communities.
- Sponsorships and donations: Actual sponsorships to communities and charitable giving.
- Employment of people from local communities: Policy and actual numbers of people employed from surrounding communities.
- Support for local small business: The Company's policy towards support for local small business and actual achievements.

5.4.1.6 Section 6: Customers

Table 5.6: Customers

Section 6	Performance Area
Customers	Customer satisfaction
	Customer retention
	How are we seen by customers?
	New Customer growth

The performance areas included in Table 5.6 should report on:

- Customer satisfaction: The way in which customer satisfaction is measured and actual results of measurements.
- Customer retention: The programs employed to retain existing customers and the actual performance.
- How are we seen by customers?: Whether the Company has a program to measure customer perceptions of the Company and the results achieved.
- New Customer growth: Whether the Company attracts new customers that will ensure future growth.

5.4.1.7 Section 7: National Priorities

Table 5.7: National Priorities

Section 7	Performance Area
National Priorities	Job Creation
	Contribution to the improvement of the health of the nation
	Contribution to the saving of energy
	Reduction of environmental pollution
	Reduction of CO ₂ emissions
	Actions taken and actual electricity savings

The performance areas included in Table 5.7 focuses on National priorities. Some of the performance areas may be included in other sections but due to their importance they are included in a separate section. The report on the performance areas in Table 5.7 should include the following:

- Job creation: Number of new jobs created during the reporting period.
- Contribution to the improvement of the health of the nation: Whether the company has defined a policy or has implemented initiatives that will contribute to the improvement of the health of its workers and the community.
- Contribution to the saving of energy: Strategies to save all forms of energy in the operations of the business.
- Reduction of environmental pollution: What the company has done to measure its pollution and steps taken to reduce it.
- Reduction of CO₂ emissions: Programs that the Company has implemented to reduce direct and indirect CO₂ emissions.
- Actions taken and actual electricity savings: Actual results and actions taken to reduce electricity demand and consumption.

5.4.1.8 Summary of Performance Areas:

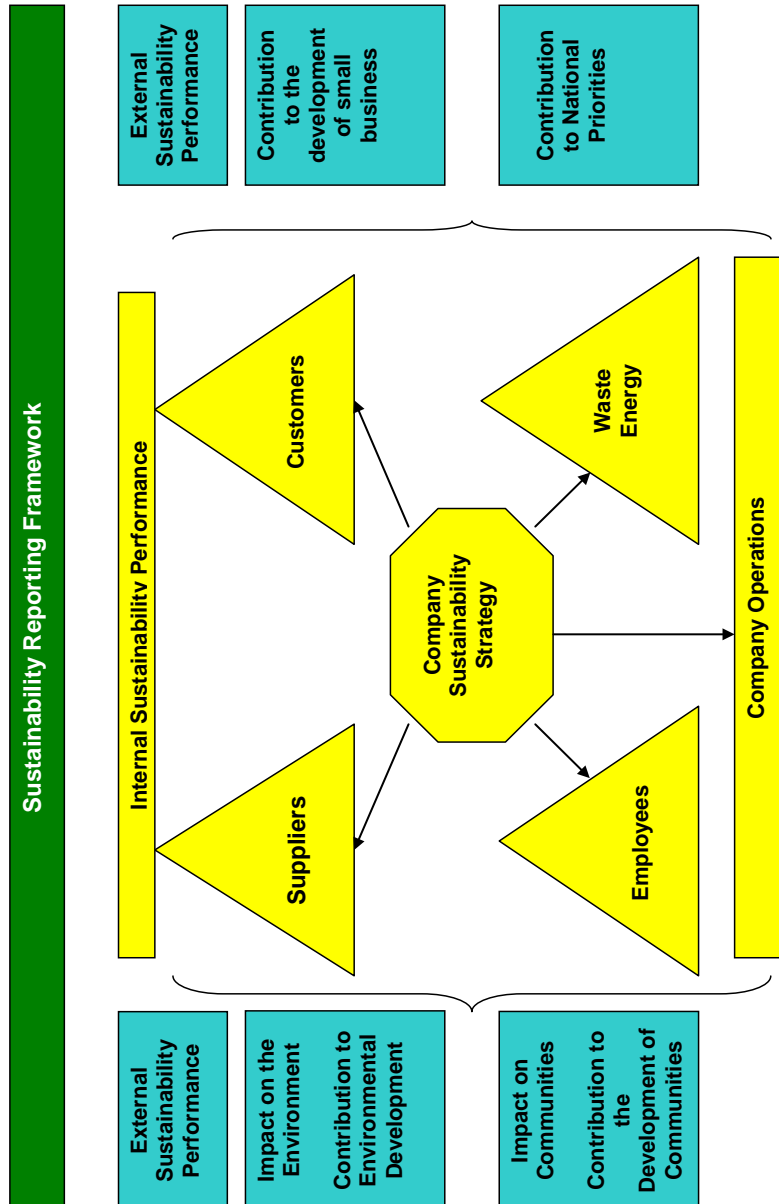
The performance areas as listed in the tables differs from the existing Sustainability Guidelines as they are defined as performance areas rather than performance indicators. The use of the term “performance area” is broader than the narrow and very specific performance indicators used by most guidelines. This broader definition allows companies the necessary freedom to adapt the definition to their specific business and industry.

Although the nature of the guidelines that are recommended by this study does not allow comparisons to other companies’ performance, it does allow comparison from year to year of the company’s improvement in performance or deterioration of performance. In most cases this becomes more meaningful as the stakeholder will be able to judge the performance of the company in a specific area to the results achieved in prior years.

The framework that is recommended in the paragraph above is simpler than any guideline that has ever been proposed. It is also a lot shorter and a lot less intimidating. In total, 44 performance areas are recommended, which is less than half of the GRI guidelines.

The framework discussed is summarised and graphically depicted as well. The graphic highlights the main sections of the proposed guidelines which will be discussed in paragraph 5.5.1.

5.5 The Sustainability Reporting Framework (Graphic)



Notes to the Sustainability reporting framework:

1. The sections that include: Environment, Communities and National Priorities are the performance areas that are external to the company. All the other areas are internal to the company.
2. The focus of reporting is determined by the impacts of the company on its operating environment as well as its contribution to the development thereof.

5.5.1 Simplified Sustainability Reporting Framework

The simplified framework has been developed as a result of the findings of the qualitative and quantitative analysis. Issues that were identified during this study have highlighted the need to develop a framework that all companies can use to disclose their sustainability performance to a wide range of stakeholders. These stakeholders include: Shareholders; Staff; Suppliers; Customers; Governments; Competitors, Consumer Advocates; Environmentalists; Special Interest Groups; Media and others. The needs of the different stakeholder groups differ as some are more dependent on the company's well-being than others. This dictates a classification of "internal" and "external" stakeholders. Internal stakeholders have a larger interest in the long term sustainability of the company than the external stakeholders. For that reason the study highlighted the need for the internal and external approach to the framework.

The sustainability performance reporting areas that are internal to the company are:

- Employees
- Customers
- Suppliers
- Waste and Energy
- Operations

Employees, Customers, Suppliers and Operations are logically classified as internal to the company. Waste and energy appear to be an external issue, but international companies have indicated a need for the limitation of waste generation and saving energy. Local companies have not yet realised how their internal policies regarding waste generation and energy consumption impact their local economies and environments. An example is that local retailers have not come to terms with the impact of their lack of packaging policies on the environment. In terms of energy, a

total shift is required from local companies as they have to start realising that energy does not exist in abundance.

The first two phases of this study has highlighted the fact that the sustainability of the company has become the first priority for Management. The stakeholder groups that include owners, staff, suppliers and customers have a relationship with the company that requires the company to “remain in business” as their livelihood depends on the long term existence of the company. The International reports that were analysed in the first phase displayed a “responsibility” towards the stakeholders that depend on the company. It is not uncommon for British companies to have a buying policy that clearly expresses their support for the small farmer in the neighbourhood of their retail stores. The pharmaceutical company in Switzerland express their reason for existence as that of creating job opportunities. This type of disclosure indicates that the long term sustainability of the company is most important. The quantitative phase of the study was conducted in South Africa among leading South African companies. The response from South African companies reflects less commitment to the internal sustainability of the company.

The area where the highest level of agreement between local and international companies exists is employees. There exists a strong level of agreement that this is an important sustainability performance area. The agreement exists for all employee
The limited support for national priorities by South African companies was confirmed in both phase 1 and phase 2 of the study. The importance placed upon the topics included in this section by International companies, has provided the motivation to include this topic in the simplified framework.

It was established in the study that South African companies reflect signs of a “slavish” following of the guidelines from different organisations. This appears to be a result of the limited understanding that South African companies reflect compared to their International counterparts. It also appears that sustainability performance has not yet become an integral part of strategic planning in South Africa. This can be seen from the “artificial” way that some sustainability performance results are reported. It often appears that the company has not implemented adequate measurement systems to provide objective performance metrics.

Performance areas that are external to the company are often viewed as the most important performance areas. In everyday discussions, reporters and consultants

favour the term “external impact”. This view is supported by a number of popular guidelines. Although this view is correct, it does not take into account that sustainability is about limiting your impacts but also contributing to the development. This resulted from a lack of understanding of the spirit of the Brundlandt Report (1987). This report intended to address the future of the planet and addressed “development” issues to a larger extent than “impacts”. The report clearly states that: “What is needed now is a new era of economic growth that is forceful and at the same time socially and environmentally sustainable” (Brundlandt, 1987: 14). The spirit of the report reflects clear encouragement for job creation and at the same time the development of the environment which supports the business.

The recommended framework that is pictured in graphic 5.5 above includes:

- Support for small business
- Support for national priorities
- Reduction of environmental impact
- Development of environment
- Reduction of the negative impact on communities
- Contribution to the development of communities

The external sustainability performance areas listed above were supported by the qualitative and quantitative phases of the study excluding the support for national priorities. The relatively low support for the topic of national priorities was disappointing when one compares this to international companies. The topic is included in the framework despite the limited support as the researcher is of the opinion that it is an awareness issue that needs to be promoted among all local businesses.

In summary, the simplified framework has a developmental bias which is supported by the qualitative and the quantitative analyses. The findings from the analyses also support most of the research propositions. In particular, the findings confirm that sustainability reporting needs to develop into a next phase which will retain the triple bottom line as a basic structure, but will distinguish between the sustainability of the company and its contribution to the development of the environment which surrounds it. The emphasis will move towards the creation of value for all stakeholder groups in comparison to limiting its impact. It is also anticipated that executives will learn that sustainability performance should be included in strategic plans as sustainability agenda items do contribute to the overall financial performance of the company.

Examples of this are: good supplier relations, good customer service, employees that are well trained and well paid. These all contribute to improved financial performance.

The simplified framework in graphic 5.5 is less prescriptive and includes less performance areas than existing guidelines. This will allow companies the freedom to report on the sustainability performance areas that are deemed to be important for the company. Such a report will provide the stakeholder with the ability to decide whether the performance areas selected by company management as focus areas will provide the required long-term results. With this disclosure of business priorities the stakeholder will be able to decide upon his or her relationship with the company.

In this paragraph the researcher explained the approach to the development of the simplified framework. I also believe that a simplified framework will encourage more companies to issue sustainability reports which will ensure that this important method develops into an accepted practice.

5.6 Limitations of the Study

This study draws on a small number of respondents, as initial research propositions are investigated. The comparative newness of sustainability reporting means that there is little experience and learning for respondents to draw upon in their consideration of the questions asked of them. This is viewed as a limitation of the study and justifies further research into the concept of sustainability.

5.7 Conclusion

The concept of sustainability reporting is new and runs the risk of falling into disuse if the process is not simplified. Current sustainability reports are of an average standard and this poor standard is a threat to the future of this practice.

The reason for the development of simplified guidelines is the main thrust of this study and the objective is twofold namely:

- To encourage non-reporters to start reporting on the non-financial performance of their companies, and

- To introduce a simplified framework that will assist current reporters to improve their reports.

Sustainability reporting is in its infancy, and has to develop into a next phase. It is believed that the triple bottom line was a good start for the process, but to ensure its future, a next phase should now be introduced. It is not believed that this will be the final phase as the nature of sustainability reporting will again develop into a further phase until it stabilises. The researcher is of the opinion that the framework that is presented in this study will start a new debate around the subject that will cause it to develop into a more mature phase.

5.8 Recommendations for Further Research

This study was conducted into the desired content of sustainability reports. The actual sustainability reports of leading companies were analysed. After that first analysis, a questionnaire was developed that assisted the researcher to establish the desired content of future reports. It is clear that the research was focused on the content of reports from the company's point of view.

It is recommended that further research is conducted in the following areas:

1. Establish the desired content of sustainability reports from the stakeholder's point of view.
2. Conduct a study into the medium of communication that is preferred by different stakeholder groups.
3. Conduct a study into the way that intangible assets should be reported on.
4. Conduct a further study on the way that Executives see their role in the development of the National Economy.

A further challenge that developing countries are faced with is the training of Executives on the subject of sustainability reporting. Up to this stage, the space has been occupied by consultants that all have their own biases in the area of sustainability reporting. It is important that training programmes are developed and presented by business schools.

Sustainability reporting has many advantages for business as well as stakeholders. These benefits have to be published and businesses should be encouraged to issue sustainability reports that reflect the performance of companies and report on those issues that will assist stakeholders to make informed decisions about their relationships with companies.

5.9 Final Remarks

The economy of 2000 and beyond is fundamentally different from the economy of 1950 and before. Upton (2001) argues that in this regard traditional financial statements do not capture the value drivers that dominate this new economy. Sustainability reporting is becoming a new way that companies disclosing non-financial performance to stakeholders.

Pressure from the King 11 (2008) and the new King 3 reports as well as changes to the Companies Act that come into force in 2008 or 2009 increase the requirements for companies to report on factors that may impact future performance and information on their environmental, social/ human resource issues (Henkes, 2007).

In spite of the pressure from stakeholders and legislators, no single, universally acceptable definition for sustainability reports exists. Kate Kearins (2004) argues that sustainability is defined differently by different groups to suit their purposes. In addition to a lack of definition, a number of organisations have developed guidelines for sustainability reporting. These also differ to suit the preferences of the organisations.

During the qualitative analysis phase of this study, the researcher examined the Sustainability Reports of both local and International companies. The findings from the quantitative phase of the study confirmed many of the findings from the qualitative phase. The significant findings from both phases were:

- Companies support the view that their role is to create value for all stakeholders and not just the shareholders.
- Companies prefer to “contribute” to the development of their companies and the communities and environment that surrounds their business. This is

different to the “impact” view that existed in the early phases of sustainability reporting.

- The importance of the development and retention of talented employees is confirmed in both phases of the study.
- Although findings from the community involvement section of the research indicate a commitment from companies, this area needs further investigation. The researcher established in the qualitative phase that the social dimension of the Triple Bottom Line needs to be divided to focus on internal issues separate from external issues. In this regard the community involvement dimension highlighted certain topics which included charitable giving and small business development. Further research conducted from a community perspective rather than a company perspective, may reveal topics that are unknown to companies.
- The environmental dimension indicated that energy efficiency and global warming should be separated from other environmental issues. It is disappointing that South African companies have not yet taken environmental impacts like the effect of packaging into serious consideration.
- The researcher’s overall finding is that sustainability as a business strategy still requires a lot of education in South Africa. To this end, Business Schools have to take the lead and educate the business sector on the meaning of sustainability in a broad sense. This education has to be followed by teaching the business sector how to integrate sustainability into business strategy and then report on their performance.

As far as can be established, this study is the first study to examine the desired content of future sustainability reports. The objective of this study was to develop a simplified framework for reporting sustainability performance. This study has achieved this objective and if the researcher can successfully publish this framework, sustainability reporting will become a method of reporting non-financial performance by companies of any size. The framework that resulted from this study will reduce the complexity of the sustainability reporting process while at the same time improving sustainability reports. The researcher is convinced that the integration of sustainability into business strategy will contribute to the sustainability of the company and the environment where it operates.

6 Reference List

A Framework for Reporting Sustainability Performance to Major Stakeholder Groups.

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Annexure 1

Letter to Research Participants

June 2007

Dear Research Participant

Re: Sustainability/Triple Bottom Line Reporting Research

I am in the final phase of my research towards a Doctorate in Business Leadership at the Unisa School of Business Leadership. My research topic is stated above. As far as can be established, this is the first research of this nature in the world. To arrive at the questions contained in the questionnaire, qualitative analyses were performed on annual reports from companies in South Africa, the UK, Europe and Scandinavia.

My objective with the research is to develop an understanding of the views held by South African Board members about the subject of sustainability/triple bottom line reporting. The final result of the research is to develop a simplified framework that can be used by companies in South Africa to enhance their current annual sustainability reporting.

My request is that you complete the attached questionnaire and return it to me in one of the following ways:

e-mail to: koot@sp3.co.za or

Surface mail it to: Koot Naude, Box 2439, Florida-Hills 1716.

The targeted sample population includes:

- Chief Executive Officers
- Chief Financial Officers
- Company Secretaries
- Sustainability Executives (Or the person responsible for the sustainability report)
- Non-Executive Directors
- Independent Directors

In order for me to reach a meaningful conclusion, I need a response from a large number of South African business people. This will assist in the achievement of a goal that will result in a Sustainability Reporting framework that could be meaningful to all South African Businesses and their stakeholders.

You are requested to assist with this research and complete the questionnaire as soon as possible and return it to me.

I wish to thank you in advance for your submission and request that you forward this questionnaire to your colleagues in the positions stated above.

Best Regards

Koot Naude
082 497 7777

Annexure 2

Quantitative Analysis Questionnaire

Sustainability/Triple Bottom line Reporting Research Questionnaire

The researcher is in the final phases of a Doctorate in Business Leadership at the School for Business Leadership (Unisa) His objective is to develop a simplified framework for Sustainability/Triple Bottom Line reports. Inputs from all categories of Board members and Executive Management are needed to enable the student to develop a framework that can serve as a guideline for all South African companies that wish to improve their communication with different stakeholders.

You are requested to answer all the questions.

Part 1: In this part you are requested to provide information about your company and an indication of your position within that company or an indication of the way you are associated with the company.

1. Company Information(Please Complete)		
1.1 Company Name		
1.2 Main industry where company operates		
1.3 Is your company listed on the Johannesburg Securities Exchange (JSE)?	Yes	No
1.4 If listed, for how long?		
1.5 Was your company listed in the past?	Yes	No
1.6 Is your company a member of the JSE Social Responsibility Index?	Yes	No

2. Annual Turnover: (Please tick appropriate box)	
2.1 Less than R100m	
2.2 R100m to R1,000m	
2.3 More than R1,001m	

3. Has your company issued a report that discloses its performance in non-financial areas(Please tick relevant box)	
3.1 Yes	
3.2 No	

4 If your company has issued a report, what do you call the report? (Please tick relevant box and if no one applies, please provide comments)	
4.1 Sustainability report	
4.2 Corporate Social Investment Report	
4.3 Corporate Citizenship Report	
4.4 Corporate Responsibility Report	
4.5 Social responsibility report	
4.6 Triple Bottom Line Report	

Others

.....

5. If your company does issue a report, do you use any guidelines when preparing the report? If yes, which guidelines? (Please complete)	
5.1 Yes	
5.2 No	

6. If your answer to 5 is no, are you planning to issue such a report in the future? (Please tick relevant box)	
6.1 Yes	
6.2 No	

If your answer is no, please state reason:

.....

7. Your Position in the Company (Please tick relevant box)	
7.1 Chief Executive Officer	
7.2 Chief Financial Officer	
7.3 Company Secretary	
7.4 Sustainability Executive	
7.5 Non-Executive Director	
7.6 Independent Director	
7.7 Non-Executive Chairperson	
7.8 Executive Chairperson	
7.9 Other (Please provide title)	

End of Part 1

Part 2:

In this part the researcher would like to obtain your opinion regarding the importance of sustainability strategies and sustainability reporting.

Please tick the box that most represents your view. Please answer all the questions

8. What is your own opinion regarding Sustainability reporting?	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
8.1 A company should report on the strategies that the company follows to ensure the long term sustainability of the company					
8.2 The sustainability of the company is as important as the sustainability of the environment in which it operates.					
8.3 A company should report on the way that the company contributes to the societies that sustain it.					
8.4 A company should report on its contribution toward the improvement of its physical environment					
8.5 A company should report on its long-term objectives					
8.6 A company should report on the integration of sustainability related factors into core decision making.					

8.7 A company should report on its performance against non-financial goals					
8.8 Companies should report on its contribution towards the achievement of National priorities.					
8.9 All companies should include sustainability topics in its strategic plans					
8.10 Non-financial performance measurement results should be compared to, at least, the prior year					

9. What is your personal view on the Importance of Sustainability reporting?

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
9.1 All companies should issue a sustainability report.					
9.2 All companies should have a Board member who is responsible for Sustainability reporting					
9.3 Reporting on non-financial performance is important for the reputation of the company					
9.4 Reporting on non-financial performance of the company is important to the image of the company					
9.5 A company has to communicate regularly with all its stakeholder groups					
9.10 All sustainability reports should be verified by an independent party					

10. What, in your opinion, is the one criterion for success of a business?

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
10.1 To maximise value for Shareholders					
10.2 To create a “desirable future state” for all stakeholders					

Other: Please complete.....
.....
.....
.....

End of Part 2

Part 3.

In part 3, the researcher wishes to establish the topics that Management and the Board view as important topics that should be included in a company's annual sustainability report.

Please give your own view of the topics that you think should be included in a Sustainability report.

Please tick the box that most represents your view. Please answer all the questions.

<i>Which topics about the non-financial policies and performance of the company should be included in a non-financial/sustainability report?</i>					
	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Section 1					
1.Introduction to report					
1.1 CEO message to stakeholders					
1.2 Strategic Objectives					
1.3 Company vision/mission/credo					
1.4 The company's policy regarding sustainability					
1.5 The company's approach to the management of the company's internal sustainability performance					
1.6 The company's approach to its contribution to the sustainability of its external environment					
1.7 Corporate governance and ethics					
1.8 Value added statement					
Section 2					
2 Community Involvement					
2.1 Support for charities					
2.2 Sponsorships and donations					
2.3 Employment of people from local communities					
2.4 Support for local small business					
2.5 Impacts on communities					
2.6 Support for local communities					
2.7 Child labour policies and practices					
2.8 Forced labour policies and practices					
2.9 Staff participation in volunteer social responsibility activities					
Section 3					
3 Employees					
3.1 Company performance culture					
3.2 Compensation and benefits					
3.3 Employment practices					
3.4 Ability to attract talented employees					
3.5 Training and development of all levels of employees					
3.6 Worker Health and safety statistics					
3.7 Nett Employment creation					
3.8 Equal opportunity policies and programs					
3.9 HIV/Aids policies and programs					
3.10 Promoting diversity and inclusion					
3.11 Shared values					

Section 4					
4 Environment					
4.1 Scope of environmental impact					
4.2 Environmental policy and practices					
4.3 Steps taken to improve energy efficiency and actual performance					
4.4 Packaging policies					
4.5 Recycling					
4.6 Waste management					
4.7 Reduction of emissions including CO2 emissions					
4.8 Fuel efficiency					
4.9 Water management					
4.10 Electricity savings programs and actual savings achieved					
Section 5					
Customers					
5.1 Customer satisfaction					
5.2 Customer retention					
5.3 New Customer growth					
5.4 How are we seen by customers?					
Section 6					
Suppliers					
6.1 Supplier requirements					
6.2 Supplier compliance monitoring					
6.3 Supplier labour practices					
6.4 Encouraging local suppliers and supporting local suppliers					
6.5 Preferential procurement policies and actual performance					
6.6 Communication with suppliers					
Section 7					
National Priorities					
7.1 Contribution to the improvement of the health of the nation					
7.2 Job Creation					
7.3 Contribution to the saving of energy					
7.4 Reduction of environmental pollution					
7.5 Reduction of CO2 emissions					
7.6 Improvement of industrial competitiveness					
7.7 Enhance energy security					
7.8 Actions taken and actual electricity savings					
Section 8					
Intangible Assets					
8.1 Intellectual property					
8.2 The company's innovativeness					
8.3 Research leadership					

Part 4

In this last part, you are requested to add any other topics that you think should be included in a sustainability report.

Please write or type this in the table below.

The researcher wishes to thank you for your time and valuable contribution.

Best Regards

Koot Naude

Annexure 3							
Summary of Questionnaires Included in Quantitative Analysis							
	Listed on JSE	Member of JSE SRI Index			Member if SRI & GRI Reporter	Questionnaire Received	Questionnaire used in Analysis
			2006	2007			
Absa Group	Yes	Yes					
Adv Tech	Yes	Yes					
African Bank	Yes	Yes	Yes		Yes		
African Oxygen	Yes	Yes					
Allied Electronics	Yes	Yes		Yes	Yes	Yes	Yes
Allied Technologies	Yes	Yes					
Anglo American plc	Yes	Yes					
Anglo Platinum	Yes	Yes	Yes		Yes	Yes	Yes
Anglogold Ashanti	Yes	Yes	Yes		Yes	No	
Aveng LTD	Yes	Yes					
Barloworld Ltd	Yes	Yes	Yes		Yes	No	
BHP Billiton	Yes	Yes					
Bidvest Group	Yes	Yes	Yes	Yes	Yes	No	
Brait SA	Yes	Yes					
Bytes Technology	Yes	Yes	Yes		Yes	Yes	Yes
City Lodge Hotels	Yes	Yes				Yes	
Discovery Hldgs	Yes	Yes				Yes	
Exxaro Resources	Yes	Yes				Yes	
Firstrand Ltd	Yes	Yes	Yes		Yes	Yes	Yes
Goldfields LTD	Yes	Yes		Yes	Yes	No	
Grindrod Ltd	Yes	Yes					
Group Five Ltd	Yes	Yes					
Harmony Gold	Yes	Yes	Yes	Yes	Yes	No	
Highveld Steel and Vanad	Yes	Yes	Yes		Yes	Yes	Yes
Illovo Sugar	Yes	Yes					
Impala Platinum	Yes	Yes		Yes	Yes	No	
Imperial Holdings	Yes	Yes					
Investec Ltd	Yes	Yes					
Liberty Group	Yes	Yes		Yes	Yes	Yes	Yes
Liberty Int	Yes	Yes					
Massmart Hldgs	Yes	Yes				Yes	
Medi Clinic Corp	Yes	Yes					
Merafe Resources	Yes	Yes					
Metropolitan Hldgs	Yes	Yes					
Mittal Steel	Yes	Yes	Yes		Yes	No	
MTN Group	Yes	Yes			Yes	Yes	Yes
Murray and Roberts	Yes	Yes				Yes	
Nampak Ltd	Yes	Yes					
Nedbank Group	Yes	Yes		Yes	Yes	Yes	Yes
Network Healthcare Holdg	Yes	Yes					
Northam Platinum	Yes	Yes	Yes		Yes	No	
Oceana Group Ltd	Yes	Yes	Yes				
Old Mutual plc	Yes	Yes		Yes	Yes	No	
Pich n Pay Hldgs	Yes	Yes	Yes		Yes	Yes	Yes
Pretoria Portland Cement	Yes	Yes	Yes		Yes	No	
Remgro Ltd	Yes	Yes					
SABMiller	Yes	Yes					
Sanlam Ltd	Yes	Yes					
Santam Ltd	Yes	Yes				Yes	
Sappi	Yes	Yes					
Sasol	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Standard Bank Group	Yes	Yes	Yes	Yes	Yes	No	
Telkom SA	Yes	Yes	Yes	Yes	Yes	No	
Tongaat Hulett Group	Yes	Yes					
Trans Hex Ltd	Yes	Yes					
Woolworths Hldgs	Yes	Yes		Yes	Yes	Yes	Yes
		56	20	13	24	16	12