Chapter 10

Sustainability Reporting

Introduction

Sustainability reporting can be viewed at global, continental, sub-continental, national, sub-national and company level. The notions of sustainability and sustainable development are generally taken to reflect environmental, economic, social and technological spheres; whereas at the corporate level, these spheres are enveloped within the principles of good corporate governance. These include the elements of equity, accountability and transparency.

As an emerging phenomenon, sustainability reporting guidelines and initiatives are evolving at all levels. At a corporate level, sustainability reporting encompasses the now widely accepted concept of triple bottom line reporting; focusing on environmental, social, and economic sustainability, as well as good corporate governance. Since reporting at this level traditionally covered economic and/or financial matters adequately, this chapter seeks to highlight and elevate the other, previously neglected elements of reporting including environmental and social dimensions.

This chapter presents the fundamentals and applications of these two previously neglected dimensions in reporting and analyses how they have been addressed, particularly at national and company specific levels to sustain Africa's natural resource heritage. Therefore, the following five sections are critically examined in the chapter: global and national sustainability reporting initiatives; a historical perspective of sustainability in business; company level sustainability reporting guidelines; a global overview of sustainability reporting; and sustainability banking in Africa.

Global and National Sustainability Reporting Initiatives

This section considers global and national sustainability reporting guidelines and initiatives. Focus is on the following initiatives: the United Nations Indicators of Sustainable Development Framework of 2001; and Yale university's Environmental Sustainability Index and Environmental Performance indices where work started in 2000. Each of these initiatives will be considered briefly in turn in the next sections.

United Nations Indicator Framework

Work on the UN programme to set indicators for sustainable development was commissioned by the United Nations Commission of Sustainable Development (UNCSD) in 1995 (United Nations Division for Sustainable Development 2001). This resulted in the publication of a book, *Indicators of Sustainable Development: Guidelines and Methodologies*, in 2001. Its purpose was to stimulate and support further work, testing, and the developing of indicators at national government levels.

Indicators can provide important guidance for decision making in a number of ways (United Nations Division for Sustainable Development 2004). They can transform physical and social science knowledge into manageable units of information that permit informed decision making in environmental governance. Indicators also assist in measuring progress towards achieving stipulated sustainable development goals. They can provide early warnings where environmental disasters might occur, thereby preventing social and economic losses. No set of indicators can be final and definitive, and are adjusted over time.

As early as 1992, the UN's Agenda 21 called for the need for national governments to draw up indicators to measure their progress towards achieving sustainable development (UN 1992). The 2001 UN indicator framework for measuring sustainable development draws on four pillars of sustainability: social, environmental, economic and institutional (United Nations Division for Sustainable Development 2001), identified in the earlier work on indicators by the Commission on Sustainable Development (United Nations Division for Sustainable Development 1999). Such indicators were grouped as the driving force, state and response characteristics. Driving force denotes human activities, processes and patterns that impact on, either positively or negatively, and shape, sustainable futures. The state indicators give a measure on the condition of sustainable development. Response indicators represent societal actions targeted at moving towards achieving sustainability in various sectors (United Nations Division for Sustainable Development 2001). Although the themes and sub-themes from the indicators were designed to guide national governments, the first three pillars have been widely used to develop themes and subthemes for company level sustainability indicators and reporting initiatives.

One hundred and thirty-four indicators were developed between 1996 and 1999, and administered on a voluntary basis to twenty-two countries (United Nations Division for Sustainable Development 1999). The pilot-testing country feedbacks and subsequent work on the indicator framework suggested forty-six key thematic indicators across the four pillars mentioned earlier (Table 10.1).

Table 10.1: Key Thematic Indicator Areas

Pillar	Key thematic indicators
Social	• Education • Employment • Health/water supply/sanitation • Hounsing • Welfare and quality of life • Cultural heritage • Poverty/income distribution • Crime • Population • Social and ethical values • Role of women • Access to land resources • Community structure • Equity/social exclusion
Environmental	• Freshwater/groundwater • Agriculture/secure food supply • Urban • Coastal zone • Marine environmental/coral reef protection • Fisheries • Biodiversity/biotechnology • Sustainable forest management • Air pollution and ozone depletion • Global climate change/sea level rise • Sustainable use of natural resources • Sustainable tourism • Resctricted carrying capacity • Land use change
Economic	• Economic dependency/indebtedness/ODA • Energy • Consumption and production patterns • Transportation • Mining • Economic structure and development • Trade • Productivity
Institutional	• Integrated decision-making • Capacity building • Science and technology

- Public awareness and information
- International conventions and cooperation
- Governance/role of civil society
- Institutional and legislative frameworks
- Disaster preparedness
- Public participation

Source: UN Department of Economic and Social Affairs (2001: 22).

From the key indicator themes, sub-themes and measurable indicators are drawn. For example, taking land as an environmental theme, the sub-themes would include agriculture, forest, desertification and urbanisation. Under agriculture, the sub-themes measures would be arable and permanent crop land area, use of fertilisers and use of agricultural pesticides. From the forest sub-theme, we would measure forest area as percentage of the total land area, as well as wood harvesting intensity. This is the kind of framework that the UN sustainable development indicators seeks to achieve. The framework has also been adopted and applied in specific sectors to measure sustainability. This has been the case with its new application within the energy sector by the International Atomic Energy Agency (IAEA), as briefly outlined in the following section.

In 2005 the IAEA, in collaboration with the UN Department of Economic and Social Affairs, the International Energy Agency, Eurosat, and the European Environmental Agency, published work on energy indicators (International Atomic Energy Agency 2005). The work provides guidelines and methodologies along the lines of the UN framework of indicators for sustainable development, but focuses on three pillars: the social, the environmental and the economic. The core set of Energy Indicators for Sustainable Development (EISD) provides information on current energy-related trends in a form that assists decision making at a national level. Thus nations are aided in assessing the effectiveness of policies for action towards achieving sustainability in the energy sector. These energy indicators provide benchmarks for the WSSD Implementation Plan energy targets, which include the need to:

- integrate energy into socio-economic programmes
- combine more renewable energy, energy efficiency and advanced energy technologies to meet the growing need for energy services
- increase the share of renewable energy options
- reduce the flaring and venting of gas
- establish domestic programmes on energy efficiency
- improve the functioning and transparency of information in energy markets
- reduce market distortions and assist developing countries in their domestic efforts to provide energy services to all sectors of their populations (International Atomic Energy Agency 2005: 6; UN, 2002).

The energy indicators for sustainability incorporate social sub-themes such as accessibility, affordability, disparities and safety. Some of the indicators include the share of households (or population) without electricity and the share of household income spent on fuel and electricity. The economic sub-themes include overall use, overall productivity, supply efficiency, production, end use, diversification (fuel mix), prices, imports and strategic fuel stocks. Some of the indicators include per capita energy-use, and per unit of gross domestic product (GDP), and the ratio of resources to production. The environment sub-themes cover climate change, air quality, water quality, soil quality, forest as well as solid waste generation and management. Some of the indicators include greenhouse gas emissions from energy production and use per capita and per unit of GDP, and the ratio of solid waste generation to units of energy produced. The energy indicators continue to be modified as per the dictates of new technology and information regarding energy. Readers are encouraged to trace new work and references.

Yale University Environmental Sustainability and Performance Indices

Work on Environmental Sustainability Index (ESI) and Environmental Performance Index (EPI) by Yale University and its collaborating partners started in 2000. It resulted in the publication of ESIs and EPIs in 2000, 2001, 2002, 2005 and 2006. For our purposes, the indices for the three most recent years are discussed.

In 2002 a pilot EPI was designed to measure environmental stewardship at a national level. Four core indicators were used and measured: air quality, water quality, greenhouse gas emissions and land protection/degradation. Only seven African countries appeared in the top fifty countries, out of the 142 countries assessed. Botswana was ranked thirteenth, Namibia, twenty-sixth, Zimbabwe, forty-sixth, and South Africa, seventy-seventh (Esty, Levy et al. 2005).

The 2005 ESI improved on the previous versions. This work was still directed by the Yale University's Centre for Environmental Law and Policy and the Centre for International Earth Science Information Network of Columbia University in collaboration with the World Economic Forum and the Joint Research Centre of the European Commission (Esty, Levy et al. 2005). The 2005 ESI aimed at benchmarking national environmental stewardship for the next decades. The 2005 ESI benchmarks countries by integrating seventy-six data sets that trace natural resource endowments, past and current pollution levels, environmental management efforts and the capacity of nations to improve their environmental performance. The seventy-six data sets were aggregated into twenty-one indicators of environmental sustainability. From the authors, the twenty-one indicators allow direct comparison across five broad themes: environmental systems; reducing environmental stress; reducing human vulnerability to environmental stresses; societal and institutional capacity to respond to environmental challenges; and global stewardship.

The higher a nation's ESI score, the better its chances of maintaining favourable environmental conditions in the future. Interestingly, out of the 146 countries in-

cluded in the 2005 ESI, none of the forty African countries came in the top ten. Africa's top country, Gabon, was ranked twelfth, and was the only one in the top twenty. In terms of African countries ranked, the top ten were: Gabon, followed by Central African Republic, Namibia, Botswana, Mali, Ghana, Cameroon, Tunisia, Uganda and Senegal. The bottom ten were: Egypt, followed by Sierra Leone, Liberia, Angola, Mauritania, Libya, Zimbabwe, Burundi, Ethiopia and Sudan.

Work on the ESI continued in 2006, resulting in another publication on Environmental Performance Index (EPI). EPI is pivoted on twin broad environmental protection objectives: (1) to reduce environmental stresses on human health, and (2) to promote the vitality and sound natural resource management of ecosystems (Esty et al. 2006: 1). These objectives were formulated to address, in particular, some of the concerns that were raised against the lack of measurability of the environmental objectives of the Millennium Development Goals. The 2006 Pilot EPI, as it is commonly known, measured environmental health and ecosystems viability using sixteen indicators grouped into six well-established policy categories recorded by the authors as: environmental health, air quality, water resources, productive natural resources, biodiversity and habitat, and sustainable energy.

The top five nations from the EPI, in a survey of 133 countries, were New Zealand, Sweden, Finland, the Czech Republic and the UK. The lowest ranked countries were Ethiopia, Mali, Mauritania, Chad and Niger (Esty et al. 2006), all African countries. Indicators across the six major categories, cited above, included child mortality, indoor air pollution, drinking water, adequate sanitation, urban particulate matter, regional ozone, nitrogen loading, water consumption, wilderness protection, timber harvest rates, agricultural subsidies, over-fishing, energy efficiency, renewable energy and carbon dioxide per GDP. Given the focus of this book on environmental management in Africa, the entire rankings and scores for thirty-eight AU member countries, involved in the survey, are presented in Table 10.2.

Table 10.2: EPI for AU Countries, 2006

Rank	Country	Score	Rank	Country	Score	Rank	Country	Score
1	Gabon	73.2	14	Malawi	56.5	27	Guinea	49.2
2	Algeria	66.2	15	Namibia	56.5	28	Madagascar	48.5
3	Ghana	63.1	16	Kenya	56.4	29	Guinea-Bissau	46.1
4	Zimbabwe	63.0	17	Zambia	54.4	30	Mozambique	45.7
5	South Africa	62.0	18	Cameroon	54.1	31	Nigeria	44.5
6	Uganda	60.8	19	Swaziland	53.9	32	Sudan	44.0
7	Tunisia	60.0	20	Togo	52.8	33	Burkina Faso	43.2
8	Tanzania	59.0	21	Gambia	52.3	34	Angola	39.3
9	Benin	58.4	22	Senegal	52.1	35	Mali	36.7
10	Egypt	57.9	23	Burundi	51.6	36	Mauritania	33.9
11	Ivory Coast	57.5	24	Liberia	51.0	37	Chad	32.0
12	Central Afr.	57.3	25	Sierra Leone	49.5	38	Niger	30.5
13	Rwanda	57.0	26	Congo	49.4			

Source: (Esty et al. 2006:19).

The authors note that all the top global performing nations invested heavily in protecting the environmental health of their citizens. However, of concern is that Africa's highest ranked, Gabon is ranked forty-sixth globally. The other top five are ranked sixty-third (Algeria), seventy-second (Ghana), seventy-fourth (Zimbabwe) and seventy-sixth (South Africa). Such statistics show that we, as a continent, still have much to do in terms of the EPI and sustainability reporting.

Sustainability in Business: A Historical Perspective

During the 1960s and 1970s the world, including corporations, continually denied their negative impacts on the environment. However, a series of severe and visible environmental disasters, such as the death of Lake Erie in the US, the Rhine river in Europe, and people dying of mercury poisoning in Japan forced a change of mindset (Hart 2004). Sustainability issues in business and industry were placed on the global agenda in the mid-1990s (Timberlake 1992). This emerged from an initiative by the UN Conference on Environment and Development Secretary-General aimed at raising environmental awareness to businesses during the Earth Summit of 1992. The result was the establishment of the Business Council for Sustainable Development (BCSD), and the subsequent publication of a book entitled *Changing Course: A Global Business Perspective on Development and the Environment*. The book became part of the Rio summit proceedings. It was published in seven languages prior to the Rio summit. The BCSD was made up of representatives from chief executives from Europe, North and South America, Asia, Africa and Australia.

According to Timberlake (1992:29), eco-efficiency was agreed on as the key feature of future sustainable businesses. Eco-efficiency was described as the 'production of goods and services whilst reducing resource consumption and pollution'. The eco-efficiency principle is drawn from of Principle 8 of the Rio Declaration, stipulating that to achieve sustainable development and a higher quality of life for all people, states should reduce and eliminate unsustainable patterns of production and consumption, and promote appropriate demographic policies (UN 1992).

To raise awareness of the need to integrate developmental issues and the environment, the principles of eco-efficiency were promoted through the BCSD book in twenty countries, particularly to those in the developed world. The BCSD unanimously agreed that the future winners in business will embark on improving their eco-efficiency because:

- customers were now demanding cleaner products and services;
- insurance companies were becoming more amenable to covering clean companies;
- employees, especially the best and the brightest were preferring to work for environmentally responsible entities;
- environmental regulations were getting tougher and would continue doing so in the future;

- new economic instruments such as taxes, charges and trade permits were rewarding clean companies; banks were more willing to finance companies that conserve the environment and prevent pollution rather than having to pay for clean-ups (Timberlake 1992).

The last point was basically a wake up call to businesses, geared towards end-of-pipe measures in managing the environment, to move over to pro-active, anticipatory entities when dealing with environmental concerns. Overall, eco-efficiency was deemed to help, rather than hurt, profitability.

Company Level Sustainability Reporting Guidelines

Many companies now use the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (SRG), when reporting on sustainability issues. The GRI was launched in 1997 as a joint initiative of the US NGO Coalition for Environmentally Responsible Economies and the United Nations Environment Programme (UNEP). Its major goal was to enhance the equality, rigour and utility of sustainability reporting globally (Global Reporting Initiative 2002). By 1999, the first GRI SRG document was ready. The second was published in 2000. Currently, the 2002 edition is being used, and over 500 organisations, world-wide, were reported to have been using the guidelines by September 2004 (ACCA 2004).

The GRI initiative of 2002 provides twin sets of indicators: core and additional indicators (Global Reporting Initiative 2002). The core indictors are relevant to most reporting organisations and their key stakeholders; whilst the later may be concerned with issues such as leading practices in environmental, social and economic measurement.

The sustainability reporting guidelines are divided into four major parts. Part A covers aspects pertaining to using the GRI guidelines, Part B focuses on the reporting principles, Part C, looks at the report content, and Part D, comprises the glossary and annexes. The contents of the parts under review will each be considered briefly in turn.

The reporting principles focus on transparency, inclusiveness, auditability, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity and timeliness (Box 10.1).

Box 10.1: GRI Sustainability Reporting Principles

P1-Transparency: Is the report providing full disclosure of the processes, procedures, and assumptions in report preparation?

P2-Inclusiveness: Is the reporting organisation systematically engaging its stakeholders to help focus and continually enhance the quality of its reports?

P3-Auditability: Is the reported data and information recorded, compiled, analysed, and disclosed in a way that would enable internal auditors or external assurance providers to attest to its reliability?

P4-Completeness: Is the report including all information that is material to users for assessing the organisation's economic, environmental, and social performance in a manner consistent with the declared boundaries, scope, and time period?

P5-Relevance: Is the report clearly defining the degree of importance assigned to particular indicators, including the threshold at which the information becomes significant enough to be reported?

P6-Sustainability Context: Is the report providing an overview of the context in which the data is reported relative to the larger ecological, social or economic constraints?

P7-Accuracy: Is the report achieving a high degree of exactness, or a low margin of error, such that users can make decisions with a high degree of confidence?

P8-Neutrality: Is the report avoiding bias in selection and presentation of information, and provide a balanced account of the organisation's performance?

P9-Comparability: Is the report maintaining consistency with previous reports in the boundary and scope of indicators? Alternatively, are any changes of boundary or scope, or re-statements of previously disclosed information, adequately disclosed?

P10-Clarity: Is the report making the reported information available in a manner that is responsive to the maximum number of users while still maintaining a suitable level of detail?

P11-Timeliness: Is the report being released in a manner that is consistent with a regular schedule that meets user needs?

Source: Modified after Global Reporting Initiative (2002:23–31).

Table 10.3: Suggested Categories of Reporting Indicators

	Category	Aspect
Economic	Direct economic impacts	• Customers • Suppliers • Employers • Providers of capital • Public sector • Materials • Energy • Water • Biodiversity
Environmental	Envionmental	• Emissions, effluent and waste • Suppliers • Products and services • Compliance • Transport • Overall
	Labour practice and decent work	• Employment • Labour/management relations • Health and safety • Training and education
Social	Human rights	• Diversity and opportunity • Strategy and management • Non-discrimination • Freedom of association and collective bargaining
	Society	• Child labour • Forced and compulsory labour • Disciplinary practices • Security practices • Indigenous rights • Community • Bribery and corrutpion • Political conditions • Competition and pricing
	Product responsibility	• Custom health and safety • Products and services • Advertising • Respect for privacy

Source: Global Reporting Initiative (2002:36).

The report content captures variables such as vision and strategy, profile, governance structure and management systems, the GRI content index and performance indicators. The performance indicators include the pillars of sustainability reporting that embrace economic, environmental and social sustainability. The annexes included are: an overview of the GRI, linkages between sustainability and financial reporting, guidance on incremental application of the GRI SRG, credibility and assurance, GRI indicators, and the GRI content index. Further details regarding elements discussed above and more on sustainability reporting can be obtained from the main document and Table 10.3 gives a summary of indicators recommended by the GRI.

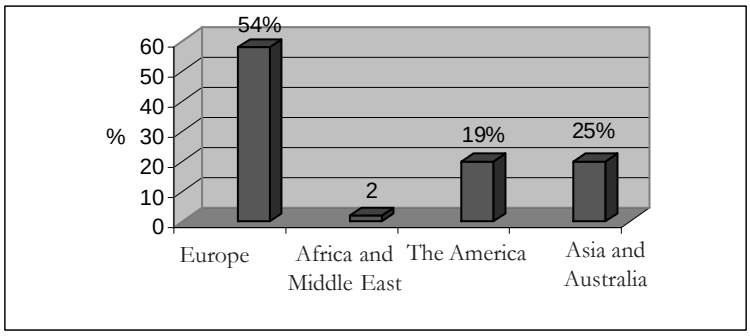
Corporate responsibility has become a major issue in Europe. Some countries have passed legislation to this effect, or are being pressed to do so by lobby groups. Some of the recent bills on corporate responsibility from European countries include on social labelling (Belgium), sustainability reporting (Netherlands and France) and pension fund disclosure (the UK and Germany).

Sustainability Reporting: A Global Overview

Since publication of *Our Common Future*, the trend for better corporate governance and accountability has placed emphasis on the responsibilities of organisations towards all stakeholders, the environment and societies in which business is conducted (ACCA 2004). The practice of sustainability reporting has emerged from this doubled quest for greater organisational transparency. Since the concept of sustainability reporting is relatively new, selected definitions for some of the fundamental terms are provided here. An 'indicator' refers to a measure that can either be qualitative or quantitative in nature. Such measures are used to compute an index or indices. An 'index' is usually denoted as a single value that takes into consideration different weightings and aggregates from the indicators. 'Baselines' and 'benchmarks' are other terms. A baseline should be taken as the starting point. For example, since many companies were not reporting on sustainability issues earlier on, their very first reports are baseline reports. A benchmark is a standard against which organisations can assess compliance. For example, set national effluent standards for a pulp and paper mill are used as benchmarks before effluence is disposed of in a public water system or municipal sewer network. Jonah and Pienaar (2004) have developed additional concepts, adopted here for clarity. Corporate social responsibility (CSR) focuses on the socio-economic, ethical and moral responsibilities set in response to the changes and demands of society at large. Corporate social investment (CSI) includes the funding of and involvement in socio-economic upliftment. But it excludes employee benefits. Examples include education, housing, health, welfare, job creation, community development or empowerment. Corporate citizenship includes accountability for social, environmental and economic impact; engagement with stakeholders; and integration into mainstream business. Although the concept of sustainability reporting is still in infancy, in many African countries, the practice was first recorded in the early 1990s. In 1993, fewer than 100 sustainability reports were

produced. By 1999, the figure increased more than five-fold. In 2003, over 1,500 reports were recorded globally (Jonah and Pienaar 2004). A comparison of sustainability reports produced on the global scale is presented in Graph 10.1.

Graph 10.1: Reports Produced, 1990–2003 (n=6,619)



Source: Compiled from ACCA (2004:9).

The types and formats of the sampled reports produced between 2001 and 2003 (n=3,637) varied (ACCA 2004). The list and proportions were distributed as: sustainability reports (14 per cent), corporate responsibility (8%), annual with substantive non-financial sections (6%), community (3%), social (5%), environment and social (8%), environment, health and safety (14%) and environment (42%). From 3,637 reports produced between 2001 and 2003, Europe had the largest share, with 54 per cent, followed by Asia and Australasia with 25 per cent. The Americas had 19 per cent, and lastly Africa and the Middle East had a mere 2 per cent.

Given the growing concern and need for companies to report on non-financial matters, ACCA launched the world's first environmental reporting awards in 1990. The awards opened up spaces for engagement within corporate accountability. The awards achieved a number of things. They:

- highlighted the business community's role in sustainable development
- raised awareness and understanding of environmental reporting issues, and promoted the need for this type of discourse
- demonstrated the need for all business to be accountable for all their impacts on society
- showed that it was not just the shareholders who were interested in corporate activity, but that other stakeholders, too, had information needs (which were not being met)
- encouraged a number of organizations to prepare environmental reporting guidance material
- ultimately, by rewarding best practice and providing feedback via judges' reports, they helped to improve both the quality and the quantity of reporting we see in the world today (ACCA 2004:11).

Since 1990, mandatory environmental reporting has been introduced in some countries: Denmark, France, the Netherlands, Norway and Hong Kong. In Africa, South Africa is the sole country to have worked out a code of corporate governance ethics, and the only country in the world to have mandatory sustainability reporting for listed companies (African Institute of Corporate Citizenship 2004; UNEP FI 2005).

Sustainability Reporting in Africa

The first sustainability reports appeared in 1993, with external assurances first appearing in 1998 (ACCA 2004). Since 2002, there has been an exponential growth in reporting. This is due to many reports emerging from South Africa, according to the King II Report (Wixley and Everingham 2002; IDSA 2002) (for further details, see below), and the Johannesburg Stock Exchange requirements (Johannesburg Stock Exchange 2003). Out of the ninety-seven sustainability reports sampled for Africa, South Africa accounted for 75 per cent (ACCA 2004). The top five typology of the sustainability reports were ranked as: sustainability; environment and social; environment, health and safety; corporate responsibility and social. The remaining percentage was shared between Algeria, Gabon, Mauritius, Mozambique, Namibia, Nigeria, Uganda and Zimbabwe.

The Sustainability Reporting Nexus

The nexus between corporate governance, the pillars of sustainable development and triple bottom line (or sustainability) reporting, technological advancement and a sustainable organisation should already have been grasped. Various models can be used to depict these linkages. Figure 10.2 is an example.

Figure 10.2: Sustainability Reporting Nexus

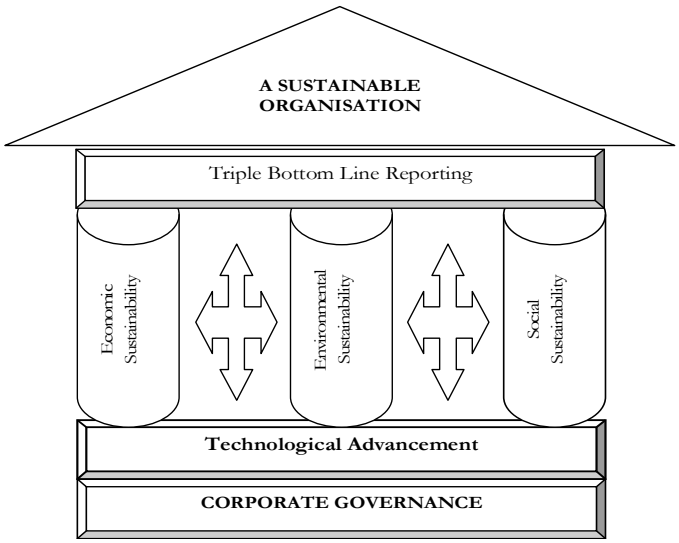


Figure 10.2 reveals that, like a real house roof, a sustainable organisation rests upon the strengths of the three pillars of sustainability: the economic, the environmental and the social. In addition to the pillars, African organisations, or businesses, that will survive into the future must have their roots founded on firm ground, built on technology, particularly research and development, and the principles of corporate governance. The four directional arrows within the figure indicate the many multi-dimensional relationships and the nexus that emerges in the realm of corporate governance and sustainability reporting. Further deliberations concerning the concepts introduced above are made within this chapter.

Understanding the 'Triple Bottom Line' Metaphor

The triple bottom line (TBL) of sustainable development seeks to account for economic prosperity, environmental (ecological and/or ecosystems) quality, and social justice (Elkington 2004). Environmental quality and social justice have been neglected by business and industry for a long time. Each of the three pillars can be discussed in their relationship to accountability, accounting, auditing and reporting. Traditionally, a company's bottom-line is associated with the profit figure, resulting from the deductions of cost and depreciation of capital. This is part of standard accounting practice. Hence in line with the TBL concept, there should be an equal accounting (the pulling together, recording and analysis) of a wide range of environmental and social data, including figures.

Hart (2004) maintains that pollution, depletion of natural resources and poverty are the key challenges to attaining sustainability. These key challenges are manifest in varying degrees in countries from the developed economies, emerging economies and what he refers to as the survival economies. Many African countries still fall within the survival category. Many others, that had shown signs of becoming emerging economies, are, for various reasons, degenerating back into survival economies. Table 10.4 summaries some of the challenges to sustainability.

Table 10.4: Sustainability Challenges

Taxonomy	*Pollution*	*Depletion of natural resources*	*Poverty*
Developed economies	▪ Greenhouse gases ▪ Use of toxic materials ▪ Contaminated sites	▪ Scarcity of materials ▪ Insufficient reuse and recycling	▪ Urban and minority unemployment
Emerging economies	▪ Industrial emissions ▪ Contaminated water ▪ Lack of sewage treatment	▪ Overexploitation of renewable resources ▪ Overuse of water for irrigation	▪ Migration to cities ▪ Lack of skilled workers ▪ Income inequality
Survival economies	▪ Dung and wood burning ▪ Lack of sanitation ▪ Ecosystems destruction due to development	▪ Deforestation ▪ Overgrazing ▪ Soil loss	▪ Population growth ▪ Low status of women ▪ dislocation

Source: Hart (2004:11).

Hart (2004) also identifies three key strategies to overcome the problems associated with unsustainable behaviour, globally. He outlines sequential stages that start with the prevention of pollution (RSA 1998), the institution of product stewardship (Fishbein 1994) and clean technology (Pauli 1997). These three strategies can be integrated into what he terms as a 'sustainability portfolio', which examines company issues of the day and the future, from the internal and external perspectives. The green, or environmental, bottom-line becomes paramount.The green bottom-line requires that environment-related management accounting be undertaken (Bennett and James 2004). The environmental bottom-line mainly applies at company level, starting with the organisation itself, and progresses to its supply chain and relationship with the community. Accounting in this respect should focus on both financial and non-financial issues, within this specific bottom-line. Six domains are visible when dealing with the green-bottom-line (Table 10.5).

Table 10.5: Company Level Environment-related Management Accounting

Scale/Focus	Organisation	Supply chain	Society
Financial Focus	Environment-related Financial Management	Life-cycle Cost Assessment	Environmental externalities Costing
Non-financial Focus	Energy and Materials Accounting	Life-cycle Assessment	Environmental Impact Assessment

Source: Bennet and James (2004:127).

Such environment-related management accounting is carried out to inform and support decision making processes, influenced by environmental factors. Some of the main objectives of this form of accounting include the need to: demonstrate the impact on the income statement of environment-related activities; prioritise environmental actions; enhance customer value; and support sustainable business (Bennett et al. 2004). Overall, the triple bottom line aims to achieve:

- transparency and effectiveness: allowing people to assess or ensure that organisations are doing the right thing in terms of their core business;
- accountability: allowing organizations to take responsibility for their actions and to report this honestly to their stakeholders;
- consultation and responsiveness: enabling organisations to ensure positive relationships both internally and externally and responding to the feedback from stakeholders through informed and appropriate decision making;
- impact assessment: allowing organisations to identify the nature and scope of impact of actions they take particularly across and between the three bottom lines;
- information and communication (including public relations): enabling organisations to use the results of their processes for future decision making and to convey, as and when appropriate, these results to the public (Mahoney and Potter 2004:154).

The Triple Bottom Line in South Africa

The triple bottom line reporting (TBLR) concept in South Africa calls for integrated sustainability reporting (ISR) in the corporate world. Sustainability from the King II Report (IDSA 2002) entails a focus on previously sidelined non-financial aspects of corporate practice, which have been found to influence the ability of an enterprise to survive and prosper in the communities in which it conducts its business. The King II Report noted that many companies in South Africa were not reporting comprehensively on the environment. The King II Report recommended that the environment be considered as a stakeholder in its own right. Where a company operates in a foreign land, where higher environmental standards apply, these standards should be implemented in South Africa. Meanwhile, the 'best practice environmental option', which has most benefits, or causes least damage, to the environment at a cost accepted by the society, should be applied to all decisions taken by a business entity.

For South African companies, TBL reporting became effective for the financial years beginning on or after 1 March 2002. It is applicable to listed companies, banks, financial and insurance entities and certain public sector entities (Wixley et al. 2002). Although it is a voluntary practice, the Johannesburg Stock Exchange (JSE) requires that all listed companies adhere to the TBL reporting system. In addition, the Code of Corporate Practice and Conduct, spelt out by the King II Report, contains a clause that places a duty and responsibility on all boards and individual directors to make sure that its provisions are adhered to.

The King II Report deals with Corporate Governance issues (IDSA 1994; IDSA 2002) and outlines a Code of Corporate Practice and Conduct (Wixley et al. 2002) for South African business and industry. The King II Report is made up of six major sections that deal with: boards and directors, risk management, internal audit, integrated sustainability reporting (key focus area), accounting and auditing, and compliance and enforcement.

In 2002, Ernest and Young started incorporating sustainability reporting aspects into the adjudication process, as part of its Excellence in Corporate Reporting (ECR) survey initiative. The ECR survey initiative, pioneered in 1997, originally focused on encouraging excellence in the quality of financial reporting by South Africa's top 100 companies to investors and other stakeholders (Ernest and Young 2004). The shift in emphasis from excellence in financial reporting to excellence in corporate reporting has been necessitated by the need to evaluate company annual reports from the perspective of the broad community of stakeholders. The 2003/4 adjudication reflected, for the first time, the response to the King II Report on corporate governance and sustainability reporting.

Potentially 400 points can be obtained by companies, the annual reports, of which, are assessed. These points are given the following weighting: performance review (approximate weighting, 35%), financial disclosure (35%), forward-looking information (20%), and presentation (10%). It is important to note that elements

related to corporate governance and sustainability disclosures fall within the performance review category. Further details and free copies of the 2003/4 and past ECR survey initiatives can be obtained from www.ey.com/za.

There has been a growing commitment by South African companies to fulfil corporate social responsibility requirements. Companies cannot account for profitability alone, without taking cognisance of CSR. A corollary of the rising interest in CSR has been the growth of socially responsible investment (SRI). Investors are becoming attracted to CSR as a business approach, because it creates long-term shareholder value by embracing opportunities, maximising efficiencies and managing risks derived from economic, environmental and social developments that are not necessarily addressed by short-term financial analysis. This reflects the so-called triple bottom line approach.

To this effect, the FTSE/JSE have come up with a SRI index as a benchmark to facilitate investment in companies with good records of CSR. The SRI Index, drawing heavily on the GRI SRG, is to be constituted from companies that form part of the FTSE/JSE All Share Index, and which meet the selection criteria set out in the SRI Index Philosophy and Criteria (Johannesburg Stock Exchange 2003; Johannesburg Stock Exchange 2004). The selection criteria, meeting both local and international requirements, cover three areas of principle: environmental sustainability; positive relationships with stakeholders; and upholding and supporting universal human rights.

In order to assess listed companies against the JSE SRI Index, in October 2003, the JSE circulated a 56-page launch questionnaire investigating major SRI issues. In addition to filling in the questionnaire, companies were requested to provide additional information or documentation, such as annual reports, the text of relevant policies, brochures to customers, or any other communication to stakeholders or the general public (Johannesburg Stock Exchange 2004). From the questionnaire, the following major sub-themes of TBLR were identified.

Economic Sustainability

Covers the sub-themes of policies (generic for all the three pillars), governance and management (generic for all the three pillars), ownership of the company, salaries and remuneration, knowledge management, human resources (generic for all the three pillars), contractors (generic for all the three pillars), reporting, auditing and accounting (generic for all the three pillars), insurance and contingency plans, customers and products and compliance.

Environmental Sustainability

This includes sub-themes such as impact assessment, environmental management systems, biodiversity, natural resources and genetically modified organisms, emissions and discharges, energy, waste, water, accidents and incidents, auditing, accounting and reporting, compliance, standards and certification/de-certification and awards.

Social Sustainability

Addressing the following sub-themes: black economic empowerment (BEE), health and safety, HIV/Aids and other chronic occupational diseases, human rights, community relations, corporate social investment and awards. Social questions also covered, in much depth, parameters such as corporate governance, ethics, corruption, bribery and money laundering, stakeholder engagement, BEE, human resources (including skills development), health and safety, HIV/Aids, employment equity, diversification and transformation, human rights, community development, and consumer groups. In order to be included in the JSE SRI Index, companies had to achieve an overall score of at least seventy points, and surpass individual thresholds that varied from category to category, for high impact, medium impact or low impact entities. The scoring method is based on the extent to which a company adopts and/or implements the four sustainability pillars indicators of corporate governance, environmental sustainability, economic sustainability and social sustainability as follows:

- None: Nothing in place and only sporadic or ad hoc activity takes palace, if any (score of 0)
- Partial or efforts: Objectives/systems are in place, but do not meet the level set by the Criteria; or evidence exists that regular/systematic efforts are being made to set objectives/implement a system (score of 1)
- Full or complete: Objectives/systems are in place and are reported on, fully meeting the level set by the Criteria (score of 2)
- Exceeding: Objectives/systems are in place exceeding the level set by the Criteria (score of 3) (Johannesburg Stock Exchange 2005:5).

However, participants of the round-table discussions highlighted a number of concerns, including: a request for more definitional clarity on issues surrounding sustainability reporting, and the lack of expertise within organisations around non-financial reporting. The outcome of the 2003 SRI index is represented in Box 10.2.

Box 10.2: Press Release – Launch of JSE Socially Responsible Investment Index

19 May 2004

The JSE Securities Exchange South Africa today announced the names of the constituents of the JSE's first Socially Responsible Investment Index ('SRI Index'). Calculation of the Index will commence tomorrow.

JSE Deputy CEO, Nicky Newton-King said: 'The last few years have seen an increasing awareness of and need to measure sustainable business practices. In South Africa, in particular, the Second King Report on Corporate Governance urges companies to embrace the triple bottom line as a method of doing business. The JSE has been working with people across society's spectrum as well as the JSE SRI Advisory Committee to create the SRI Index as a means

of helping to focus the debate on triple bottom line practices, in addition to recognising the tremendous efforts already made by South African companies in this area.'

The 'SRI Index measures companies' policies, performance and reporting in relation to the three pillars of the tripple bottom line (environmental, econmic and social sustainability), as well as corporate governance practice.

All the companies in the FTSE/JSE All Share Index were invited to participate in the process which lead to the JSE SRI Index on a voluntary basis. 74 listed companies participated and 51 companies met the criteria. Their names are attached to this release in alphabetical order. The SRI Index is the first index of this nature in an emerging market and the first in the world to be launched by an exchange. Newton-King said that 'the JSE is delighted that so many listed companies participated in the process and that 51 companies are now part of the first SRI Index. A notable aspect of the constituents of the SRI Index is that 17 of the constituents are part of our MidCap Index and 3 are part of the SmallCap Index which reflects the fact that sustainability is a business issue for companies of all sizes.'

Data collection and analysis was done by Sustainability Research & Intelligence, and KPMG performed independent assurance of the analysis process.

In launching the SRI Index, the JSE announced that Graca Machel and Reuel Khoza had agreed to be the Patrons of the SRI Index. Newton-King said the JSE was honoured by their involvement which was very important for the JSE.

Constituents of the first JSE SRI Index (in alphabetical order)

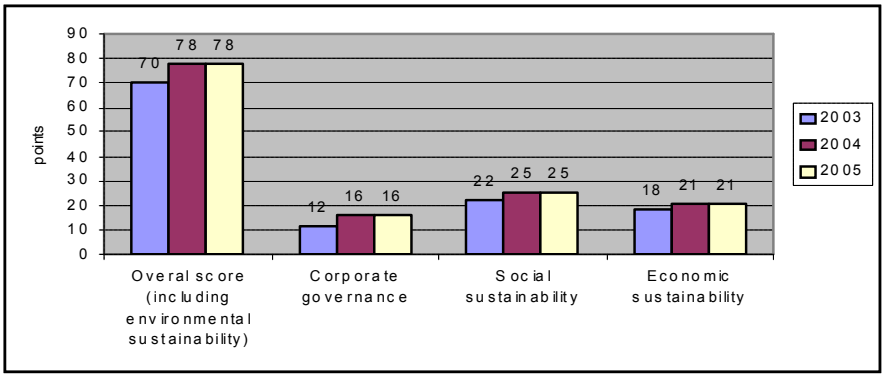
ABSA Group Ltd
African Bank Investments Ltd
African Oxygen Ltd
African Rainbow Minerals Ltd
Alexander Forbes Ltd
Allied Electronics Corporation Ltd
Allied Technologies Ltd
Amalgamated Beverage Industries Ltd
Anglo American Platinum Corporation Ltd
Anglo American plc
Anglogold Ashanti Ltd
Aveng Ltd
AVI Ltd
Barloworld Ltd
BHP Billiton plc
The Bidvest Group Ltd
City Lodge Hotels Ltd
Dimension Data Holdings plc
Edgars Consolidated Stores Ltd
FirstRand Ltd
Gold Fields Ltd
Iscor Ltd
Johnnic Communications Ltd
Kumba Resources Ltd
Liberty International Plc
Massmart Holdings Ltd
Medi-clinic Corporation Ltd
MTN Group Ltd
Murray and Roberts Holdings Ltd
Nampak Ltd
Nedcor Ltd
Network Healthcare Holdings Ltd
Northam Platinum Ltd
Old Mutual plc
Pick n Pay Holdings Ltd
Pretoria Portland Cement Company Ltd
Remgro Ltd
SABMiller plc
Sappi Ltd
Sasol Ltd
South African Chrome and Alloys Ltd
Standard Bank Group Ltd

Gold Reef Casino Resorts Ltd	Telkom SA Ltd
Harmony Gold Mining Company Ltd	The Tongaat-Hulett Group Ltd
Illovo Sugar Ltd	Venfin Ltd
Impala Platinum Holdings Ltd	Woolworths Holdings Ltd
Investec Ltd	

Source: http://www.jse.co.za/news/sri_launch.doc, accessed 1 April 2005.

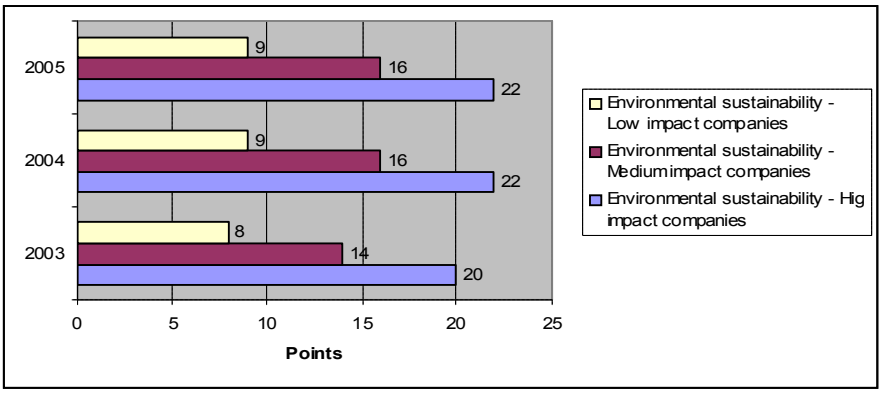
The SRI index criteria have changed since its launch in 2003. The overall aggregate points have been increased from 70 to 78 for the 2004 and 2005 reporting periods respectively. Similarly, the other criteria have been adjusted upwards with corporate governance moving from 12 to 16 points; social sustainability from 22 to 25 points; and economic sustainability from 18 to 21 points (Graph 10.3).

Graph 10.3: Environmental Sustainability Criteria, 2003–2005



The criteria for environmental sustainability were also adjusted upwards. In 2004 and 2005, low impact companies were expected to score 9 points, instead of the original 8 points, established in 2003. Medium impact companies were expected to achieve a score of 16, up from 14, and high impact companies had to garner 22 points, instead of 20 (Graph 10.4).

Graph 10.4: Environmental Criteria Points



In addition, a score of at least a point, in relation to the core criteria of each pillar and category, was stipulated, starting from 2004. Core criteria are those the JSE considers fundamental, and not negotiable. The details regarding some specifications are as follows: at least five out of nine core criteria are in corporate governance; at least five out of eight core criteria relate to the environment; at least four out of six core criteria fall under the economic pillar; and at least seven out of ten core criteria are social (Johannesburg Stock Exchange 2004, 2005).

Sustainability Banking in Africa

This last section deliberates issues pertaining to sustainability banking in Africa. Financial institutions are increasingly being called on to safeguard against funding projects with negative environmental consequences. Much of the information presented here has been drawn from the 2004 landmark study by the African Institute of Corporate Citizenship (AICC), and ACCA's 2004 report entitled *Towards Transparency: Progress on Global Sustainability Reporting 2004* (ACCA 2004). The AICC survey included four countries (Botswana, Kenya, Nigeria and Senegal) and over fifty financial institutions (UNEP FI 2005). The AICC is a centre of excellence in corporate social responsibility 'committed to strengthening responsible growth and competitiveness in Africa through research, advocacy and network building' (African Institute of Corporate Citizenship 2004:83). The AICC describes sustainability in the banking sector as 'ensuring long term business success, while contributing towards economic and social development, a healthy environment and a stable society'. In this regard, sustainability has three broad components: people (socio-sphere), planet (enviro-sphere) and prosperity (econo-sphere). The need to address all the three spheres has been highlighted elsewhere.

The AICC has established that a number of sustainability banking practices were taking place in the continent, particularly from the case study countries. These included initiatives around pricing assets and exercising ownership, providing new finance, risk management, and savings and transactions.

Conclusion

This chapter has discussed issues pertaining to sustainability reporting as one of the emerging environmental management tools. Landmarks, including the Global Reporting Initiatives Sustainability Reporting Guidelines, were covered. An historical account of sustainability in business linked up company level sustainability reporting. The sustainability reporting nexus that harnesses concepts around corporate governance and sustainable development was also discussed, leading to further insights into the triple bottom line concept. A case revolving around the Johannesburg Stock Exchange Socially Responsible Investment Index was detailed. The final section gave an overview of sustainability banking in Africa.

Revision Questions

1. What is sustainability reporting?
2. Why should businesses account for environmental damage?
3. What are the fundamental provisions of the Global Reporting Initiative in terms of sustainability reporting?

Critical Thinking Questions

1. How has the concept of sustainability reporting assisted companies and governments in your country to holistically manage local and national environments?
2. Can the Johannesburg Stock Exchange Socially Responsible Investment Index model be replicated in your country? If not, what aspects could be amended to suit local conditions?
3. Has sustainability reporting compelled companies in your country to go beyond presenting a good public image in terms of good environmental stewardship?

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