

Accelerating a sustainable future



Integrated Annual Report 2011 – 2012



Global Compact Network
South Africa

Regional partner of the World Business Council
for Sustainable Development



NBI VISION, MISSION AND VALUES

Vision

A sustainable, equitable and thriving society making South Africa one of the world's great places to live, work and do business

Mission

Shaping a sustainable future through responsible business leadership and action

Values

- Trust
- Accountability
- Diversity
- Innovation
- Empowerment
- Passion

ABOUT THIS REPORT

This integrated annual report covers the operations of The National Business Initiative (NBI) in South Africa for the 12 months ending 30 June 2012 and the previous report covered the year ending 30 June 2011.

The purpose of this report is to provide our stakeholders with meaningful, accurate, complete, transparent and balanced information on our financial, environmental, social and governance performance during the year.

As explained in detail in the relevant sections of the report, the NBI underwent a strategic review as well as a corporate and governance restructuring process during the year which resulted in a headcount reduction. Apart from these processes, there were no other changes to the organisation that would affect comparability with the prior year.

In compiling this report, the NBI has been guided by the International Integrated Reporting Committee (IIRC) Prototype Framework, the information in the governance guidelines outlined in King III, as well as the statutory reporting requirements of the Companies Act, 2008.

We disclose our sustainability information using the principles of the Global Reporting Initiative (GRI) G3 guidelines and provide a GRI Index at the end of this report. We self-declare Level C compliance with the GRI.

The information covered in this report relates to the 12-month period ending 30 June 2012, except where indicated otherwise. The information provided in the transformation section, for example, aligns with the dates of the BEE certificates reported in that section.

In March 2012, the South African Supplier Diversity Council (SASDC) was spun out as a standalone organisation, along with 10 staff members previously employed by the NBI. Apart from this change, there were no significant changes during the period regarding size, structure or ownership of the NBI.

While we acknowledge the value of external assurance of sustainability information, we believe that this is not necessary at this early stage of our sustainability reporting process.

The financial information contained in this report has been independently audited by BDO. The board of directors (board) is satisfied with the accuracy of the information contained in the balance of this integrated annual report.

In previous years we disclosed programme information on a business unit basis. This year's report discloses programme information in line with the revised strategic focus areas identified in our strategy review.

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Growing level of sustainability

WHO WE ARE

The NBI vision

A sustainable, equitable and thriving society making South Africa one of the world's great places to live, work and do business

The National Business Initiative for Growth, Development and Democracy (NBI), is a registered Public Benefit Organisation. It is a voluntary group of leading national and multi-national companies, working together towards sustainable growth and development in South Africa through partnerships, practical programmes and policy engagement.

Since its establishment in 1995, the NBI has been an advocate for the collective role of business in support of a stable democracy, growing economy and healthy natural environment. As one of close to 60 global regional partners to the World Business Council for Sustainable Development (WBCSD), the NBI provides a platform for business leadership and a vision of how companies can contribute to shaping and achieving a sustainable society.

We summarise this purpose as follows:

We believe as an organisation that a sustainable society is possible and that business success and a thriving and equitable society are inextricably linked. The NBI exists both to provoke thinking around sustainability issues and to drive positive impactful action around issues that will improve the overall sustainability of the systems in which business operates. Such action must be collective and collaborative.

The NBI also has a crucial role to play in rebuilding trust in business, both from government and society at large. This trust can be rebuilt through the change NBI drives around sustainability issues and by clearly demonstrating that business is committed in thought and action to this change.

“The NBI, as a business collective, catalyses and accelerates business strategy and action towards sustainable growth and development to achieve a just, thriving and equitable society.”

Over the years the NBI has engaged in a series of relevant initiatives that have had a positive impact on the country including:

- Setting up Business Against Crime – now an independent organisation – as a unique private sector contribution to enhanced criminal justice and crime prevention.
- Initiating and serving as the managing agency of the Business Trust in its first five years – as a foundation to combine the resources of the public and private sectors to support programmes that accelerate the achievement of agreed national objectives.
- Conceptualising and managing the Colleges Collaboration Fund, which has made a significant contribution to the transformation of the FET colleges sector.
- Serving as secretariat to the Human Resource Development Strategy for South Africa through the mechanism of the Joint Initiative for Priority Skills Acquisition (JIPSA), under the leadership of the then Deputy President and mobilising business resources for human capital development.
- Serving as secretariat to former President Mbeki's Big Business Working Group, thus promoting dialogue and trust between business and government leaders.
- Facilitating the signing and implementation of the Energy Efficiency Accord, as a tangible contribution of the private sector to environmental protection and enhanced competitiveness.
- Managing the EQUIP programme from 1995 to 2008 – a collective partnership of government and business in almost 500 schools across eight provinces, funded by more than 40 companies with business investment of about R180 000 per school over three years, supplemented in some cases by provincial departments.

OUR MEMBERS





FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Year ended 30 June	2012	2011
Membership fees (R million)	R15.4	R15.0
Programme funding (R million)	R12.0	R9.7
Headcount	31	43
Water consumption (m ³)	398	225
Electricity (kWh)	201 620	243 476

BEE Status

The NBI was a certified Level 2, value-adding BBBEE contributor during the year under review.

Socio-economic development status

The black beneficiary base of our socio-economic development projects was externally verified at 85% for the year under review.



OUR STRATEGY

The NBI has a strong track record of building and supporting capacity in areas critical to business and has consistently demonstrated its ability to function as a bridge between government and business.

We believe that the most important sustainable development priorities are:

- employment creation, economic growth and reducing poverty and inequality;
- strengthening our country's human capital through education and skills development; and
- ecological balance so that the scarce resources available to our generation can also be used and developed by the next.

The needs of our members have developed along with the changing nature of the sustainable development challenges facing business and the region. In order to ensure that the NBI remains relevant in this context, we undertook a review of our organisational strategy during the year. We redefined our vision and our purpose and established six strategic outcomes. The board approved the new strategy in July 2012 and our strategic aspirations guide our actions as we implement the revised strategy.

Our strategic outcomes

1. Collective action has had a significant impact on socio-economic and environmental issues.
2. The NBI is a trusted platform for collaboration and engagement between business and government.
3. NBI member companies have integrated sustainability into their strategies and operations.
4. Business leadership is ethical, trusted, transparent and forward looking (speaks its mind and is an active citizen).
5. There is a common understanding among businesses, big and small, around what is needed to achieve sustainable outcomes.
6. The NBI delivers thought leadership and action that push the boundaries on key sustainability issues.
7. NBI builds relationships and trust with government, businesses and key stakeholders.

Our value proposition

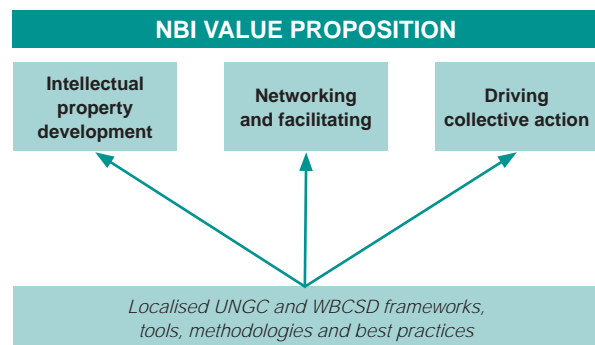
Our broad value proposition is based on three legs and can be tailored and balanced to meet the specific needs of the various member segments of the NBI. These legs are supported by the adaptation of international partnerships and guidelines such as the World Business Council on Sustainable Development (WBCSD) and the United Nations Global Compact (UNGC) to the South African context.

The three aspects that support our value proposition are:

1. **Intellectual property (IP) development** focused on the generation of leading edge sustainability

thinking. This will be based on secondary research, input from the WBCSD and the UNGC and primary research where required and funded. Practical tools, methodologies and approaches for implementation within a business environment will be developed for and shared with member companies.

2. **Networking and facilitation** that provide platforms to enable members to share their thoughts, learnings and experiences relating to sustainability issues with one another. The NBI will also use these platforms to share the IP developed in the various areas and initiate activities that create "bridges" between businesses, government and other stakeholders. This includes connecting various stakeholders with one another and facilitating multi-stakeholder engagements.
3. **Driving collective action** with the aim of establishing and driving initiatives that bring businesses together to work towards achieving a particular sustainability-related outcome. It also aims to drive large numbers of companies to take independent actions that focus on the delivery of a specific outcome, for example the Carbon Disclosure Project.



Our focus areas

The strategy review redefined our strategic focus areas. These have been determined by the degree to which business is able to impact, and is impacted by, specific sustainability-related issues and particularly those areas where business has the most leverage and desire to drive societal change. These were finalised as:

- Skilled and appropriate workforce
- Natural resource demand and utilisation and resource efficiencies
- Infrastructure demand and utilisation
- Effective and ethical management

Through focusing on business's ability to create jobs through establishing a skilled and appropriate workforce, business can play a crucial role in alleviating poverty and inequality.

We discuss the specific projects and programmes relevant to these focus areas, as well as our progress for the current year and goals for the year ahead, in the relevant sections of this integrated annual report.



Society



Environment



Economy

OUR MOST MATERIAL ISSUES

We define our most material issues as those issues that potentially have the most significant impact on our long-term sustainability. These issues comprise both financial and non-financial issues in recognition that economic, environmental, social and governance risks and opportunities all have the potential to affect the organisation's ability to succeed.

Our most material issues were identified through a combination of board deliberations, the results of extensive membership engagement, the strategy review and the reporting process.

The table below summarises the most material issues facing the organisation as well as the NBI's response. These issues are analysed in more detail in the relevant sections of the report.

Material issue	Relevance	Response
1 Economic sustainability	We need to ensure that the organisation has the financial resources to implement its programmes.	<ul style="list-style-type: none"> • Restructuring to reduce cost base • Strategy review to ensure the organisation remains relevant to members' needs • Formalised collection procedures to ensure timely receipt of member fees • Improving project management capabilities and tools to ensure programme delivery and project cost recovery
2 Strategic positioning	We need to make sure the organisation continues to meet members' changing needs.	<ul style="list-style-type: none"> • Strategy review to align with members' needs • Continual engagement with members to understand their needs and reiterate our value proposition • Flagship projects in each focus area
3 Project execution	Continued successful execution on projects with impact and scale demonstrates the NBI's value proposition.	<ul style="list-style-type: none"> • Organisational restructure to create a platform for improved delivery • Improving project management capabilities and tools to ensure programme delivery and project cost recovery
4 Human capital	We need to attract and retain motivated staff with the appropriate skills to deliver on our strategy effectively.	<ul style="list-style-type: none"> • Organisational restructure to create a platform for improved delivery • Ongoing engagement with staff to address morale issues arising from the restructuring
5 Transformation	The NBI is committed to the principles of transformation.	<ul style="list-style-type: none"> • Certified value-adding level 2 contributor
6 Environment	The future of business depends on profitable growth that does not negatively impact the environment.	<ul style="list-style-type: none"> • Energy, water and waste efficiency initiatives are in place
7 Governance	Good corporate governance is essential in all organisations.	<ul style="list-style-type: none"> • Governance restructuring underway • Compliance with the new Companies Act • Consideration of how to apply the principles of King III in our organisation

CHAIRMAN'S REPORT



Cas Coovadia

The 2011-2012 financial year was an extremely difficult year for the NBI. The broad socio-economic challenges the South African economy faces were further affected by the global economic crisis and the severe slowdown in Europe.

I expect the next few years to continue to be challenging, characterised by political uncertainty arising from a lack of cohesion in leadership and the ongoing socio-economic challenges our country is faced with, which include unemployment, poverty and poor education standards.

The NBI has had to evaluate its value proposition critically within this context. Ongoing positive engagements with our stakeholders have helped us identify and establish a number of important projects.

The harsh economic conditions affected our income, as I am sure must have been the case with most member-funded organisations.

Our performance

Against this challenging external background, the organisation also experienced significant internal change. The year saw the appointment of a new chief executive officer (CEO) in March 2011, a strategy review, the start of a governance restructuring and an operational restructuring that included a voluntary retrenchment programme. Given these operational challenges, the overall performance of the organisation was good.

We delivered on our critical energy projects and continued our work with the Department of Higher

Education and Training to support Further Education and Training (FET) colleges. We deepened our engagement with our international partners, the UN Global Compact (UNGC) and the World Business Council for Sustainable Development (WBCSD), and the Carbon Disclosure Project (CDP), now in its fifth year, continues to grow. The Water Disclosure Project is gaining traction although we need to clearly define our water projects to ensure that there is no overlap with other business organisations.

We took the strategic decision to wind down our schooling projects and will in future address these as specific proposals are funded.

Sustainability

Sustainable development is the founding motive of the NBI – we are mandated to drive sustainable development through our programmes across the country. In this integrated annual report we address the issues of our own organisational sustainability in detail.

Revised strategy

The strategy revision does not introduce major changes to our operational programmes – we retain our focus as the sustainable development arm of business. Our environmental concerns extend beyond climate change – energy is a significant concern for business with water becoming more topical. We continue our efforts to support the development of a skilled workforce by supporting higher education at FET colleges and through the Schooling Focused Learning Partnership.

Enterprise development is a key concern for many of our members. With the hiving off in March 2012 of the South African Supplier Diversity Council (SASDC) we are redefining our efforts in this area. While the SASDC addresses entrepreneurship from a supplier diversity point of view, we have shifted focus to programmes that promote entrepreneurship.

Events at Marikana and the increasing frequency of violent protests clearly demonstrate the need for thought leadership around social issues. As the representative of business in society, the NBI has a lot of work to do in the area of rebuilding trust between all stakeholders. We have an excellent record of getting people to the table to engage on difficult issues and we need to define our role in resolving these urgent social issues.

The organisational restructuring that arose from the strategic review has fundamentally changed the way we approach delivery, bringing in a project team approach. We have also introduced tools and procedures to make project management more efficient and sharpen our ability to recover funding on projects.

Risks and opportunities

The most significant risks we face are limited funding, skills retention and ensuring that all staff contribute optimally to the organisation. These risks will play out in the broader context of an uncertain policy environment which may result in our partnerships with government not showing the required progress. Our approach remains to partner with government to build capacity within the public sector.

Our strong relationships with the WBCSD and UNGC give us a platform from which to sharpen the focus on what sustainable development really means for business. In the coming year we plan on being far more effective in how we leverage these relationships and interact with business to better focus corporate governance as a tool to address the country's many challenges.

I believe that the formalisation of the role of independent power producers marks the start of a more collaborative approach between government and the private sector. Infrastructure development is a significant issue for business in South Africa and the NBI has an important role to play in ensuring these projects are implemented in a sustainable way.

COP17

COP17 was the biggest focus for our organisation during the year and the biggest highlight. Many of our stakeholders recognised the effectiveness of our role as organisers of the business component of COP17. Although little has come out of COP17 that has yet been translated into implementable programmes, many of our environmental initiatives already align with the broad principles underlying these discussions.

Other business organisations

The NBI must clearly distinguish itself from other business organisations. Some of our members fund three or four business organisations without understanding the distinctive value propositions of each. We need to ensure that our role is clear and that we are not duplicating our efforts. Our focus remains on effective project implementation and demonstrating our value to our stakeholders.

Outlook

I believe that the future for the NBI is good. We will rise to our challenges by realising the benefits of our revised strategic focus, new structure and our new way of working. Our focus is on delivering against the significant expectations of our members while carefully managing our cost base.

The focus on project execution will clarify to members not only the real value we add, but also our differentiation with other business organisations.

Acknowledgements

I would like to thank the NBI board and executive committee for their dedication during the year and acknowledge the depth of their support.

Our staff have once again demonstrated their commitment in a tough year and I thank them for their sustained efforts and for continuing to stand by the organisation during a traumatic period.

The management team have also operated under trying circumstances. Debates around the future strategy of the organisation were robust and I am grateful that each member continues to demonstrate their commitment delivery.

Joanne Yawitch, our new CEO, came in at a tough time, quickly identifying and remedying a number of pressing issues. I thank her for her unflinching bravery and commitment.

Lastly, I would like to thank our members, partners and other stakeholders for their ongoing support.



Cas Coovadia
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



Joanne Yawitch

Our attention in 2011/2012 was largely focused on delivering on our COP17 programme while bedding down an extensive internal strategy review process and an organisational and governance restructuring. We felt the pressure of the current economic environment as delays in payment of membership fees had a significant impact on our cash flow and at points raised serious questions about the organisation's financial sustainability.

Despite the challenges we faced, we made good progress in most of our existing programmes and established a number of exciting initiatives that will continue to deliver value to our members. We maintain our excellent working relationships with corporate members, government and other stakeholders.

Highlights

I am extremely pleased with what we achieved through our COP17 programme, including our support of the COP17 CEO forum and the activities at the business pavilion which raised awareness of the green initiatives of South African companies.

COP17 also saw the launch of the Energy Efficiency Leadership Network which included a public efficiency pledge by more than 45 corporations, demonstrating the commitment of South Africa's business leaders to managing energy efficiency. This initiative has continued to build momentum with increasing support from corporates.

We allocated significant resources to supporting BUSA on the New Growth Accords created in terms of NEDLAC. We continue to develop our relationships with government to ensure that project implementation continues effectively and efficiently.

Challenges

Restructurings are always challenging, but ours was necessary to reset our cost base, drive operational efficiencies at all levels and focus the bulk of our resources into our core work.

The South African Supplier Diversity Council (SASDC) became an independent organisation during the year. This marked the culmination of our efforts to facilitate sustainable business relationships between large companies and certified, transaction-ready black suppliers. Significant management time and energy was invested to ensure all necessary requirements were fulfilled by the cut-off date.

Despite the many challenges we continue to face, membership numbers have been maintained and now stand at 135. We value the loyalty of our members, more than 70 of whom have remained with the organisation since it was established in 1995. We believe this strong membership base demonstrates the importance with which South African business regards sustainable development. It also confirms the relevance of the NBI's niche focus on the responsible and progressive role of business through leadership and action, as a priority.

Our stakeholders

We are defined as an organisation by the needs and expectations of our stakeholders, particularly our members. Our work this year continued to highlight the difficulties businesses face in developing a systemic approach to addressing sustainable development.

We believe that the work we did during the year addressed these needs through initiatives such as:

1. Enabling companies to showcase their environmental initiatives at COP17.
2. Raising awareness and enabling companies to engage with the scale and nature of workforce skills challenges, as well as to determine the way forward.
3. Initiatives such as our work with the National Planning Commission and around Vision 2050 identified what it means to think long term.

Integrated reporting

As a business organisation it is important that the NBI holds itself to the same standards we advocate for the business community. We have therefore prepared this report as an integrated annual report in which financial and non-financial information are discussed on an equal footing, as recommended by King III. It also represents our first report in terms of the Global Reporting Initiative (GRI) G3 Guidelines. We highlight seven issues across the spectrum of economic, environmental, social and governance areas we feel are most material to our business and these are discussed in detail in the relevant sections of the report.

Economic sustainability

We rely on membership and project fee income to sustain the good work we do and dedicate significant resources to recruiting and retaining members. Securing donor funding has been extremely challenging in an economic environment of cost cutting.

Cash flow has been constrained with the change in the focus of the organisation from one that manages large funds to one that focuses mainly on project implementation. The organisational restructure directly addresses the need to match our cost base to the current business model and our strategic review ensures that our strategy is appropriate to meet our organisational goals and match the needs of our members and other stakeholders.

Despite these challenges, the NBI maintained a steady income stream in 2012. Core revenue increased 11% to R27.4 million (2011: R24.7 million). A continued focus on cost reductions saw the net deficit decreasing to R128 000 (2011: R2.7 million) despite non-recurring costs such as voluntary retrenchment packages, the strategy revision and other restructuring costs.

Membership fees outstanding at year-end reduced to R3.9 million (2011: R6.2 million) due to improved collections during the year as well as a provision against non-recoverable fees.

Strategic positioning

There are several business organisations active in South Africa with agendas that overlap closely. It is important that the NBI demonstrates the value of membership in the organisation. We need to clearly define our value proposition and continue to demonstrate our ability to deliver on our projects to survive as an organisation. The strategy revision and organisational restructuring directly address this issue and with this work now behind us we can focus on the action plans necessary to deliver.

Project execution

Our projects focus on those areas identified as most significant to our members and align with national priorities. It is imperative that we attract and retain the resources to deliver on these projects. We have refocused our organisational resources into core business areas and introduced the necessary project management tools and disciplines to ensure that projects are run efficiently and effectively.

Human capital

We depend on the skill, enthusiasm and dedication of our employees to achieve our strategic goals. Right-sizing and refocusing our workforce was a critical part of our strategic review to meet the needs of our members better and to address our economic sustainability. Inevitably, these initiatives had a disruptive impact on staff morale and I would like to thank our employees for their continued commitment to serving the needs of our stakeholders.

Transformation

Transformation is an important consideration for any organisation in South Africa. The NBI is committed to the principles of transformation and is a certified value-adding Level 2 contributor in terms of the Department of Trade and Industry Codes of Good Practice.

Environment

While the NBI has a limited environmental impact due to the nature of our operations, we have internal initiatives in place to reduce our organisational use of scarce resources such as energy and water and to minimise the waste we produce. We believe our larger contribution to environmental sustainability lies in the work we do to raise environmental awareness and promote disclosure.

Governance

The governance structures and activities of the NBI need to align with guidelines such as King III to ensure the optimal functioning of the organisation, instil confidence in our stakeholders and comply with

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

relevant legislation. We accordingly initiated a review of our governance structures to better reflect the realities of our current business model and ensure compliance with the new Companies Act.

Our focus areas

The NBI's broad focus is on representing business in society. Our four focus areas are those areas we feel can best meet the needs of our members and fulfil our mandate. They represent a refinement and reclassification of our previous programmes, with one addition, rather than a change in approach.

Skilled and appropriate workforce

Addressing the country's workforce challenges is the broadest issue we face and the most difficult to address. Our ability to deliver and to build our initiatives to the scale needed was impacted by the difficulty in securing the necessary resources. Nevertheless, we did extensive foundational work and relationship building, including developing partnerships to establish these initiatives and set the foundation for future success.

Our CSI in Education research study was initially hampered by a poor response from companies but we later made good progress in deriving information around the approach to CSI in education by large and small companies as well as foundations. This work lays the basis for a thought leadership programme designed to support our members in ensuring that their education spend is both more strategic and more effective.

Natural resource demand and utilisation and resource efficiencies

COP17 was the main activity in this focus area and I have mentioned earlier in this report my satisfaction with the positive way the various programmes were executed. I believe this initiative reiterates the important role the NBI can play in raising awareness around sustainable development and also demonstrates our ability to execute projects successfully.

Other highlights include the fifth year of the Carbon Disclosure Project, further progress in our water focus through the Water Disclosure Project and the successful launch of the Energy Efficiency Leadership Network.

Infrastructure demand and utilisation

This is a new focus area for the NBI. We will focus on raising awareness of the challenge infrastructure

development represents to businesses, government and society through thought leadership and by providing platforms that bring together the various stakeholders to engage on this issue.

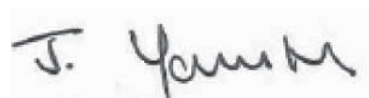
Effective and ethical management

Delivery on our commitments under the UN Global Compact (UNGC) did not fully meet our expectations this year. The new Companies Act, and its requirement that companies report on the UNGC principles and establish a social and ethics committee has significantly raised the profile of the Compact in the eyes of our stakeholders. We are committed to scaling up activities around the UNGC and creating an understanding of what implementing the UNGC principles means to companies in practice.

Environmental and social sustainability are becoming increasingly prominent concerns both locally and internationally. Business is seeing an implicit challenge from society to show where it stands as is clear from the tragic events at Marikana in August and the subsequent farm strikes in the Western Cape. The challenge for businesses is to demonstrate how it can function in an unequal society and prosper in the current social context.

The NBI has important roles in raising awareness throughout business, facilitating interaction and debate and demonstrating the value of best practice where it is happening. These are the kinds of challenges that have been core to the NBI historically and we are well positioned to continue to engage with all stakeholders.

In the year ahead we will focus on bedding down the changes we started in the current year, implementing the new strategy and delivering on our key sustainable development projects. We will also focus on clarifying the expectations of individual members and demonstrating our value proposition in practice.



Joanne Yawitch

Chief executive officer

STAKEHOLDER ENGAGEMENT

As advocates for the role of business in society, the concept of stakeholder inclusivity is central to the NBI. We define our stakeholders as any group on which we have an impact or which has an impact on us.

While we represent the interests of our members within the context of national priorities, we also help to shape their understanding of sustainable development by providing exposure to thought leadership, international best practice guidelines and programmes, and networking opportunities.

Our communications capacity is an important part of our activities and we publish a range of communications that aim to raise awareness about sustainable development. These include:

- *On a Clear Day* published weekly and distributed to 2 116 readers.

- A total of 15 *Quick Briefs* sent to a database of about 2 840 subscribers.
- *NBI in the News* compiled quarterly and distributed to more than 610 subscribers.
- NBI inclusions in the World Business Council for Sustainable Development's (WBCSD) quarterly Regional Network Newsletter.
- Unsolicited approaches for media coverage, including more than 70 articles in different key business and trade publications. More coverage was received on the Carbon Disclosure Project Water Report and COP17 side events.

Our sustainable development projects are delivered in a collaborative way that engages with government, the sector or community involved, academic institutions and delivery partners. The table below lays out the main stakeholder groups and our interactions with them:

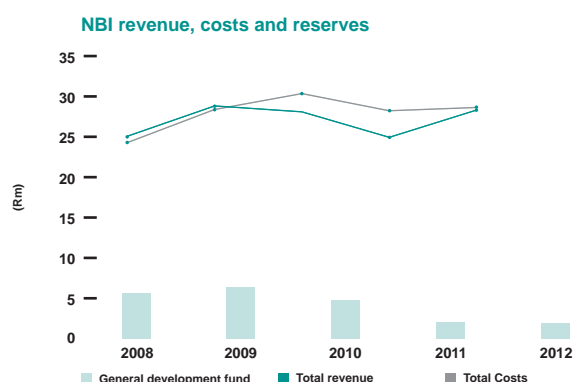
Stakeholder group	Nature of engagement	Concerns	How we address these
Members	<ul style="list-style-type: none"> • Continual interaction, board membership council (both national and provincial), programme advisory structures, dialogues and events 	<ul style="list-style-type: none"> • A clear, unique value proposition • Value for money • Efficient and effective delivery on projects 	<ul style="list-style-type: none"> • Delivery on our core projects • Networking opportunities • Thought leadership in support of sustainable development
Project beneficiaries	<ul style="list-style-type: none"> • Interaction during project setup and delivery 	<ul style="list-style-type: none"> • Effective sustainable development 	<ul style="list-style-type: none"> • Delivery on our core projects
Project sponsors	<ul style="list-style-type: none"> • Interaction during project setup and delivery 	<ul style="list-style-type: none"> • Efficient and effective delivery on projects 	<ul style="list-style-type: none"> • Delivery on our core projects • Thought leadership in support of sustainable development
Other business organisations (e.g. BUSA, BLSA)	<ul style="list-style-type: none"> • Interaction through partnerships and other business forums 	<ul style="list-style-type: none"> • Co-ordinated sustainable development in support of business in South Africa 	<ul style="list-style-type: none"> • Delivery on our core projects • Regular interactions to drive strategic alignment
Employees	<ul style="list-style-type: none"> • Ongoing interaction • Performance reviews 	<ul style="list-style-type: none"> • Business sustainability • Fair wages • Good working conditions 	<ul style="list-style-type: none"> • Performance management reviews • Ongoing communication
Academic institutions	<ul style="list-style-type: none"> • Ongoing interaction 	<ul style="list-style-type: none"> • Partnering to provide thought leadership 	<ul style="list-style-type: none"> • Delivery on our core projects • Developing thought leadership
Regional and national government	<ul style="list-style-type: none"> • Ongoing project-level interaction • High-level interaction • Interaction with other business organisations 	<ul style="list-style-type: none"> • Advancing the country's sustainable development agenda 	<ul style="list-style-type: none"> • Delivery on our core projects • Developing thought leadership • Maintaining strong relationships with government to act as a bridge between government and businesses
Strategic partners (including WBCSD, UNGC)	<ul style="list-style-type: none"> • Ongoing project-level interaction • High-level interaction 	<ul style="list-style-type: none"> • Advance the international sustainable development agenda and demonstrating the contextual relevance for South Africa 	<ul style="list-style-type: none"> • Delivery on our core projects • Thought leadership in support of sustainable development
Delivery partners (CDP, WRI, JET, specialist consultants)	<ul style="list-style-type: none"> • Ongoing project-level interaction • High-level interaction 	<ul style="list-style-type: none"> • Advance sustainable development 	<ul style="list-style-type: none"> • Delivery on our core projects • Thought leadership in support of sustainable development

MATERIAL ISSUES

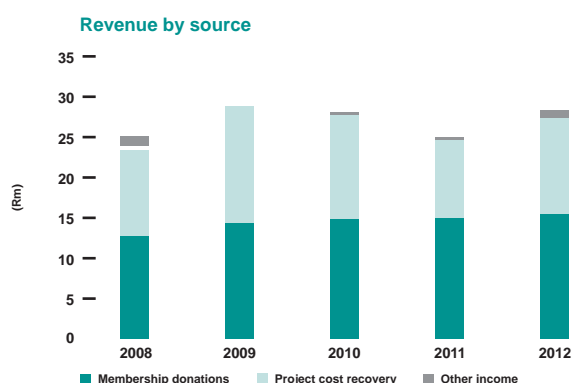
1 Economic sustainability

Why this is important to us

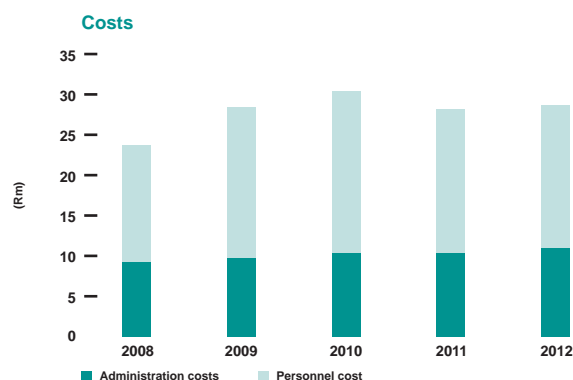
As with any organisation, financial sustainability is critical to the continued existence of the NBI. Since 2009, costs have exceeded revenue which has resulted in a decrease in the organisation's reserves in the form of the general development fund. In 2012, revenue grew and costs were managed down, but reserves declined slightly due to other abnormal costs.



A decrease in project funding has increased the organisation's dependence on membership donations which comprised 54% of revenue in 2012 (2011: 60%). While member numbers continue to grow, the current economic climate is pressuring companies to focus on cutting costs and unpaid or late payments of memberships continue to be a challenge. There have also been a number of small membership withdrawals given the current context.



Personnel costs make up 68% of total costs (2011: 65%). In prior periods the organisation's activities justified a relatively large support staff, but with the change in strategic focus there has been a shift towards reducing support staff and moving to a more project-based human capital structure.



What we are doing about it

Management is committed to ensuring that the NBI generates a surplus each year to add to reserves. This is taking place through a combination of projects that will increase revenue and cost-reduction programmes.

Revenue growth

Memberships

Cancellations without at least a year's advance notice, late and non-payment of membership donations significantly affect the organisation's cash flow. With existing and prospective members under financial pressure due to the current poor economic climate, it is critical that the NBI clearly demonstrates a unique value proposition and delivers value to its members. Initiatives in place to improve membership donations include:

- Sending out renewal notices further in advance of the renewal date.
- Enhanced engagement with members to reiterate the value proposition.
- Formalising member relationships through a memorandum of understanding.
- Stipulating a one-year notice period for resignations to improve financial planning.
- Follow up programmes where committed donations are not received.
- A request for a voluntary membership increase across the board.

Furthermore our membership segmentation exercise will continue to lead to a better understanding of the implications of meeting member needs and costing these appropriately.

Project cost recovery

Effective recovery of project costs relies on clear, documented, formal agreements with project sponsors and donors, accurate budgeting and forecasting of resource requirements and tight cost controls during the life of the project.



Economic sustainability

MATERIAL ISSUES (CONTINUED)

We are introducing formalised project management disciplines, developing a costing framework and implementing new software solutions. These will enable more immediate tracking of project costs including overheads and time, as well as more efficient cost recovery.

The organisation is also investigating other sources of funding.

Cost controls

Headcount has reduced to 31 people from 43 at the end of 2011, following, among other staff movements, two resignations and six employees taking up an offer of voluntary retrenchment. This will reduce personnel expenditure in the year ahead and additional resources will be added on a project-specific basis as required to ensure delivery. The organisation is moving to smaller premises which will reduce monthly rent and utilities. Further rationalisation of the organisation's cost base is being investigated with careful consideration that this does not affect the ability to deliver on our commitments to members.

Rationalisation costs include voluntary retrenchment packages, a lease break fee, legal and consultant costs. These constitute abnormal expenses which will inflate costs in the 2013 financial year but will not be repeated in subsequent years.

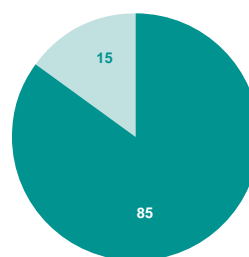
Goals for 2013

- To increase both membership growth and income as well as project income at a scale that will rebuild the NBI's reserves and therefore the NBI's economic sustainability
- To implement the Enterprise Resource Management system (ERM)
- To continue to drive cost efficiencies in the NBI's operations

Value added

Value added measures the wealth created by the organisation over and above the cost of infrastructure and services required to operate. The value added statement below shows how this wealth is then distributed to employees, beneficiaries and other stakeholders that contributed to its creation. The statement also shows the value retained and reinvested for the further development of the organisation.

Distribution of value added (%)



■ Salaries, wages and other benefits ■ Member-related activities

VALUE ADDED STATEMENT

For the year ended 30 June 2012

		Company	
		2012 R'000	2011 R'000
Wealth created			
Revenue		28 319	24 941
Infrastructure costs		(7 782)	(5 321)
Value added		20 537	19 620
Add: Income from investments		203	576
Wealth created		20 740	20 196
Wealth distribution			
Employees	%		
Salaries, wages and other benefits	85	17 718	17 944
Beneficiaries			
Member-related activities	15	3 138	4 967
Interest on borrowings	–	12	2
Government taxation and levies	–	–	–
Retained in the company	(0)	(128)	(2 717)
Drawn from reserves		(128)	(2 717)
	100	20 740	20 196

2 Strategic positioning

Why this is important to us

As a member-driven organisation, the NBI must ensure that it stays relevant to its members in order to justify its continued existence. With several other business organisations active in South Africa, NBI has to clearly distinguish itself, not only through its actions, but also in the minds of its members, the business community and broader society.

What we are doing about it

The strategic review process we undertook this year resulted in a refinement of our vision, purpose and focus areas. The process was followed by an organisational review which led to a new organisational structure that not only addresses the need to deliver cost efficiencies, but also positions the organisation to deliver on its value proposition more effectively. This revision puts in place a flatter organisational structure focused around delivery of projects and programmes.

Our ongoing engagements with members – as well as interviews conducted as part of the strategic review – highlighted the need to further develop our ability to demonstrate the intellectual property and thought leadership we have developed in our focus areas. This is an area of strength in the organisation derived from the experience and deep understanding we have developed through our programmatic work and our level of involvement and engagement with our members.

We will continue to partner with other business organisations while identifying and reducing areas of unnecessary overlap between organisations. We believe that in a society that is becoming increasingly polarised, the NBI has a significant role to play to ensure engagement on the core issues and challenges facing our society.

With the new strategy approved, management's focus has shifted to identifying flagship projects in each focus area with the potential for the greatest impact and scale. We are also in the process of deriving detailed implementation plans for the next three years and are also engaged in a review and refresh of the NBI brand in line with the new strategy.

Goals for 2013

- To develop cutting edge research and provide relevant intellectual capital and thought leadership
- To provide the relevant platforms to disseminate NBI thought leadership
- To develop practical tools and templates allowing members to apply the knowledge

3 Project execution

Why this is important to us

The NBI has established itself as an organisation that delivers on projects relevant to its members and society, such as this year's COP17 programme. Our continued ability to deliver is critical to remaining relevant as an organisation. This capacity must be balanced with the need for financial sustainability – our staffing, operational structure and cost base must be appropriate to ensure that we can deliver while not compromising our financial future.

What we are doing about it

The organisational restructuring has focused on reducing support staff while maintaining the resources to deliver on projects. We are implementing ERM software and improving our project management skills to make sure projects are effectively tracked and executed.

We are introducing new cost recovery models that track costs and time and allocate overheads so that we fully understand the resources used by each project and cost these appropriately. All programme staff are now focusing on allocating their time and the cost of that time correctly.

Goals for 2013

- To implement the NBI project team and costing system
- To apply the cost-recovery models and overhead costs upfront in project proposals to be able to select the appropriate value adding projects
- To deliver an enhanced project management approach

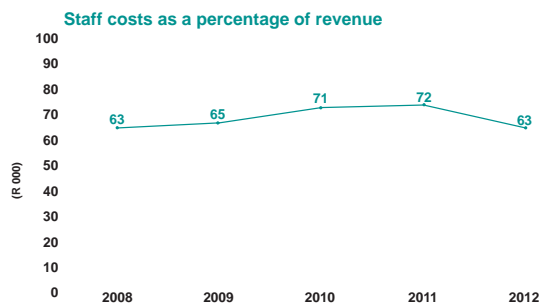
4 Human capital

Why this is important to us

Our employees are critical assets to our organisation and represent our single largest operating cost. We need the right balance of support and operational employees and the appropriate blend of senior, middle and junior staff with the specific skills required to execute on our projects. Managing this balance is critical to our financial sustainability, project execution and our strategic positioning.

Staff costs this year represented 63% of total revenue earned (2011: 72%). Staff costs this year included abnormal expenses such as those incurred in employing our new CEO and voluntary retrenchment packages. These will not recur in the new financial year. The organisation's ability to maintain appropriate levels of staffing for our activity levels will be critical for our long-term financial sustainability.

MATERIAL ISSUES (CONTINUED)

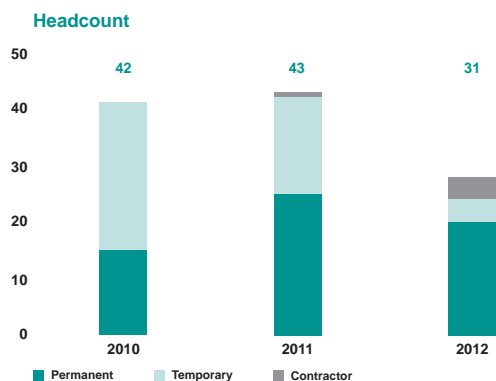


We also need to ensure that skills, knowledge and relationships are disseminated between employees, so that the organisation is not compromised by the departure of key personnel.

What we are doing about it

Human capital is managed by our human resources (HR) department in terms of our HR policies and established practices.

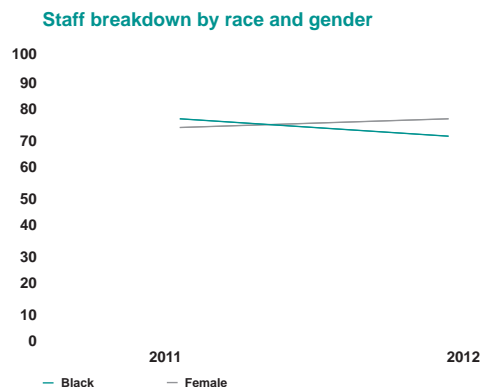
Headcount decreased to 31 as a result of organisational restructuring. Ten staff moved across to the South African Supplier Diversity Council (SASDC) which is now a separate legal entity, with six staff members accepting voluntary retrenchment and two resignations remaining unfilled. Staff turnover, excluding those staff members who moved to the SASDC, was 26% of staff at year-end. There were four appointments during the year.



The revised strategy and resultant organisation chart indicate the resources that will need to be prioritised as the NBI enters its next growth phase. Most new positions will be in middle management. There is a need for an additional senior resource to anchor project management, manage the costing and resource allocation system, organisational systems, administrative, HR, knowledge management and financial functions. This head of operations role will also free up the CEO to pursue a more strategic and relational role.

The NBI is committed to ensuring that our workforce represents the demographics of the country and has an employment equity policy and procedures in place to

address this. Around 71% of our workforce is black (2011: 77%) and 77% is female (2011: 74%).



The NBI has had to contend with a restructuring and voluntary retrenchment process during the period in question. This understandably had an impact on staff morale and management put great effort into addressing this.

Management have continuously engaged throughout the process to ensure staff are kept informed and understand the rationale behind the restructuring. With the restructuring complete and the new strategy and organisational structure communicated to employees, the organisation is back in project implementation mode and is focused on the core functions of the NBI.

The NBI is committed to the well-being of its employees and has in place the necessary policies and procedures in alignment with regulatory occupational health and safety requirements. There were no injuries during the period that resulted in lost workdays (2011: none).

The NBI has a number of initiatives in place that drive human capital development in South Africa. These are discussed in the section titled "Skilled and appropriate workforce" on page 25 of this report.

Goals for 2013

- To ensure that the NBI is optimally staffed and skilled to deliver on its programmes and value proposition
- To implement a change management process to underpin the introduction of the restructured NBI

5 Transformation

Why this is important to us

The NBI is committed to the principles of transformation. As a membership organisation, it is important that we hold ourselves to the same standards that apply to our members. We have a long history of excellent relationships with government and need to demonstrate that our priorities align with the national agenda.

What we are doing about it

We measure ourselves against the Department of Trade and Industry Codes of Good Practice (dti CoGP).

A photograph of a wind farm in a golden field under a cloudy sky. Several white wind turbines are visible in the distance, and a large haystack is in the foreground. The sky is blue with large, white, fluffy clouds. The field is a vibrant yellow, suggesting a recent harvest.

Environment

MATERIAL ISSUES (CONTINUED)

	Target	2011	2012
Certificate valid to:		16/02/12	23/01/13
Assurance provider		Empowerdex	EVS
Ownership		N/A	N/A
Management	25	25	22.53
Employment equity	25	25	25
Skills development		N/A	N/A
Preferential procurement	25	25	25
Enterprise development		N/A	N/A
Socio-economic development	25	25	25
Total score	100	100	97.53
Level		One	Two

The NBI is a certified Level 2, value-adding BBBEE contributor

As a qualifying small enterprise, the NBI is measured on the Management, Employment Equity, Preferential Procurement and Socio-economic Development (SED) categories of the dti CoGP. We achieved maximum possible scores in all categories except for Management, which declined to 22.53 in 2012 due to the fact that one of our black senior managers is not a South African citizen.

The black beneficiary base of our socio-economic development projects was externally verified at 85% for the year under review.

Goals for 2013

- To continue to achieve high scores in relation to the NBI's BEE and SED status through programmes that are targeted to benefit historically disadvantaged people and a sustainable environment
- To continue to drive transformation alongside internal excellence within the NBI
- To continue to increase supplier diversity within the NBI's procurement practices

6 Environment

Why this is important to us

We believe that in the medium and long term, the future sustainability of business depends on profitable growth that does not come at the expense of environmental degradation. True sustainability requires all organisations to measure and minimise their negative impact on the environment.

The NBI has a high profile in driving environmental sustainability and needs to demonstrate to members, government and broader society how we consider and implement these principles in our own operations.

What we are doing about it

The NBI has limited environmental impact, given the small size of the organisation and that we operate in an office environment. We are nevertheless aware of the need to minimise this limited environmental impact.

Internally we work to raise staff awareness of the need to reduce consumption of resources such as electricity, water and paper. In 2012, the NBI consumed 201 620 kWh of electricity (2011: 243 476 kWh), a decrease of 17% on the prior year. The organisation also withdrew 398 m³ of water from municipal sources during the year, 77% more than the previous year (2011: 225 m³).

As tenants in an office complex, we have limited ability to directly reduce our resource consumption as our usage is billed as an allocation according to the office space we use. The offices have low-consumption lighting and motion sensors in place as well as a recycling programme.

We anticipate that electricity and water consumption will reduce in the coming year, due to lower headcount and our move to smaller premises within the same complex in January 2013.

The NBI drives several environmental sustainability initiatives which are discussed in the section titled "Natural resource demand and utilisation and resource efficiencies" on page 28 of this report.

Goals for 2013

- To reduce our carbon footprint through reducing air travel and through energy-efficiency initiatives
- To increase the rate and extent of waste recycled by the NBI
- To work with our landlord to identify opportunities to reduce water and energy usage in our premises

7 Governance

Why this is important to us

Respect for and organisational alignment with the highest standards of corporate governance are essential for long-term sustainability across both private and public sectors. The NBI needs to implement best practice corporate governance to ensure its own long-term sustainability and to demonstrate good corporate citizenship to members, government and society.

A review of the requirements of the new Companies Act and the King Code of Governance Principles for South Africa (King III) showed that the existing governance

structure of the NBI was no longer relevant or appropriate for the organisation.

What we are doing about it

A governance review was undertaken to ensure improved organisational efficiencies and compliance with the new Companies Act. The review considered four main issues:

1. Board composition, duties, appointment processes and lines of accountability.
2. Achieving integration between provincial and national-level agenda items.
3. The role of the NBI regions within the national-level agenda.
4. The scope of responsibilities of the board within the national agenda.

Wider ranging discussions during the review process included consideration of board accountability, the relationship between the provincial and national boards and the need for more effective integration and reflection of provincial issues.

A prominent legal firm was engaged to distinguish the legal status and responsibility of board and council members, as well as to propose and implement a revised governance structure. Four workshops were held between March and May 2012 to engage with members and regional structures.

The new governance structure was approved by the board in July 2012. It introduces a membership council responsible for providing input on strategy and direction

and which will appoint the new board. The role of provincial boards which will be transformed into councils is clearly defined as is the capacity needed to maintain a vibrant presence in the provinces.

The board will be responsible for meeting all fiduciary requirements as defined by the Companies Act and King III. The CEO will be accountable to the board and membership council and is responsible for implementing the organisation's work.

A memorandum of incorporation was drafted to replace the articles of association and reflect the new governance structure. The first meeting of the new board and membership council is planned to take place before the end of March 2013.

Given the size and nature of the organisation, ethics will be addressed within the board agenda and there is therefore no need to establish a separate social and ethics committee.

Our full governance report can be found on page 38.

The NBI plays a major role in facilitating good corporate governance in South Africa through a number of initiatives discussed in the Effective and ethical management section on page 32 of this report.

Goals for 2013

- Establish the membership council and new board
- Use the input from the new board and councils to drive and focus NBI work
- Continue to drive NBI governance against King III

FOCUS AREA REVIEW

In our previous annual report, we reported on six focus areas, namely:

- Business in Society
- Climate and Energy
- Human Capital
- Economic Linkages
- Membership and Communications
- Corporate Services

Our strategic review resulted in a refinement of our focus areas to more clearly align with our strategic

intent and move away from business unit reporting. The four revised focus areas are:

- Skilled and appropriate workforce
- Natural resource demand and utilisation and resource efficiencies
- Infrastructure demand and utilisation
- Effective and ethical management

These focus areas and the activities underlying them are discussed in more detail in the sections that follow.

For continuity, the table below maps the old focus areas to the new.

Previous focus area	Revised focus area
Business in Society	The NBI's role is to represent the progressive and positive role of business in society. Initiatives are reported under the new focus areas to which they relate. However, the NBI remains the regional partner of the World Business Council for Sustainable Development (WBCSD) and the focal point for the United Nations Global Compact (UNGC) in South Africa. These international platforms give further edge and support to the work of the NBI in demonstrating and advocating for a responsible and progressive role for business in society. This would also then encompass the work of the revised focus area of Effective and ethical management.
Climate and Energy	Natural resource demand and utilisation and resource efficiencies.
Human Capital	Skilled and appropriate workforce.
Economic Linkages	The revised focus area is currently being developed and will be reported on in the next financial year.
Membership and Communications	Not reported separately but integrated throughout the report.
Corporate Services	Not reported separately but integrated throughout the report.
	Infrastructure demand and utilisation (New Focus Area).

Our global partnerships

The NBI is the South African partner for the World Business Council for Sustainable Development (WBCSD) and for the United Nations Global Compact (UNGC). These organisations provide the NBI and our members with access to international networks, global best practice and a comprehensive range of sustainability tools and methodologies that are highly relevant to the NBI's member base. These partnerships also provide

the NBI and its individual members with international platforms to share knowledge and experience and to showcase local best practice.

We believe these partnerships are a critical part of the value we add to our members as defined in the three legs of our value proposition through providing access to global thought leadership, networking opportunities and driving collective action.



wbcscd

business solutions for a sustainable world

The World Business Council on Sustainable Development (WBCSD) is a global CEO-led organisation of more than 200 forward-thinking companies representing combined revenues of over \$7 trillion. The WBCSD's goal is to galvanise the global business community to create a sustainable future for business, society and the environment.

Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Its cornerstone *Vision 2050* report calls for a new agenda for business, laying out a pathway to a world in which nine billion people can live well and within the planet's resources.

www.wbcscd.org



United Nations Global Compact

The UN Global Compact (UNGC) is the world's largest corporate citizenship and sustainability initiative. More than 10 000 participants, including over 7 000 businesses in 145 countries around the world, have committed to aligning their operations and strategies with the UNGC's ten universally accepted principles. These principles cover human rights, labour, the environment and anti-corruption.

Through alignment with these principles business, as a primary driver of globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

South Africa's new Companies Act requires businesses to disclose how they adhere to international guidelines including the UNGC.

www.unglobalcompact.org

Focus area 1: Skilled and appropriate workforce

Why this is important to business in South Africa

The desire to create jobs is the impetus behind developing a skilled and appropriate workforce. With official unemployment levels at 25% and more than 50% of South Africans aged 18 to 24 unemployed according to the South African Institute of Race Relations, South Africa faces a growing social and economic crisis.

This has a direct impact on business – one of the most fundamental challenges facing business in South Africa is the need to develop an appropriately skilled workforce to drive economic growth. Urgent issues include poor technical competency at all levels as well as a lack of leadership capability and entrepreneurial ability within small and medium enterprises (SMEs). Skills that enable business to transition towards a green economy are becoming increasingly important.

From a national planning perspective, there is currently no comprehensive view of the skills business will require in the future, nor is there a robust framework for identifying and reviewing these skills. This makes it extremely challenging for both business and government to establish the institutions, processes and systems necessary to create a pipeline of skills to feed the future economy.

While establishing an effective skills pipeline depends on appropriate tertiary education systems, these systems need to be fed by adequately educated youth. The schooling system in South Africa faces many challenges and the education provided to most learners, especially poor and black learners, is of a poor quality. As a result it is difficult to incorporate these learners effectively into both tertiary institutions and the workforce, further hampering the private sector's ability to transform their workforce through employment equity initiatives.

The corporate sector invests a conservatively estimated R1.6 billion into the school system every year, but this investment is highly fragmented and largely ineffectual, particularly as it relates to driving systemic change within the school environment. Developing a co-ordinated and more strategic approach to schooling investment would go a long way to increasing the overall effectiveness and impact of this spend.

The SME sector in South Africa will be a key driver of economic growth and job creation in the future. Mechanisms therefore need to be established by government and business to ensure that the SME sector is able to create these jobs and absorb as many appropriately skilled youth as possible into the future.

Strengthening institutional capacity to deliver quality programmes that are responsive to industry needs and driving innovation in the FET college sector will require a steady stream of funding from SETAs and a variety of other sources. Purposeful leadership from the Department of Higher Education and Training (DHET), colleges and business is needed to guide the education and training sector through a time of change.

Key strategic objectives

- To enable business and government to determine the skills required to drive the economy
- To support government in establishing facilities and programmes to develop appropriate skills
- To create a strategic and coordinated effort around Corporate Social Investment in schooling
- To establish collective action programmes that facilitate youth to move through school, into tertiary education (with a focus on FET colleges) and into business
- To enable business and government to determine the skills required to drive the economy

FOCUS AREA REVIEW (CONTINUED)

Our programmes

Business in Schooling

The Business in Schooling unit focuses on building a broad-based partnership between business, government and the education community, and exploring a framework within which business can locate its efforts in enhancing public education.

Business has expressed a need to take a step back and consider the strategic focus of its corporate social investment (CSI) and other spend in schooling, gain more insight and promote the collective involvement of companies in schooling through improved collaboration.

The Learning Partnership for Improving Corporate Social Investment in Public Schooling was initiated during the year and received funding from Sanlam to invest in the "CSI in Education" research, building on what is already known.

Further initiatives under the Learning Partnership include:

- Hosting the "Enhancing the Impact of Collective Social Impact" business forum – confirmation of the Learning Partnership concept through a business forum to mobilise initial business support for the Learning Partnership based on the lessons learned from the EQUIP programme.
- The learning partnership committee is co-chaired by Mr Douglas Ramaphosa of Bytes Technology and Ms Lulu Letlape of Sanlam, and has additional members from the NBI council, KPMG and AfriSam.
- Commissioning a study of small, medium and large companies to further galvanise support and practical effort towards the goals of the NBI's Learning Partnership Network. The study will also examine how the business spend in education could achieve greater impact through better alignment, collaboration and collective approaches. The results were presented at an event hosted by KPMG in October 2012.
- Being a co-sponsor of the first SA Basic Education Conference held in Durban in April 2012, participating in the organiser practitioners' committee and hosting a business breakfast at the event on "The Collective Impact of Corporate Social Investment in Schooling".



The Johnson & Johnson Bridge to Employment programme

The NBI manages and delivers the Johnson & Johnson Bridge to Employment programme in Johannesburg and Cape Town. The programme helps young people build solid futures by introducing them to a broad array of careers in health care, helping them make informed subject choices in Grade 9. It also helps pupils prepare for further and higher education and training, as well as the world of work, business and economic activity.

Region	Year	Partners
Cape Town	Two of three	Johnson & Johnson, FHI 360 International, the Western Cape Education Department, Zwaanswyk High School, the NBI, the Maths and Science Academy, the University of the Western Cape, the Graduate Business School of the University of Cape Town and the Cape Peninsula University of Technology.
Johannesburg	One of three	Johnson & Johnson Medical Gauteng, the Department of Education, Midrand High School, the NBI, the University of Pretoria.

Johnson & Johnson Bridge to Employment Alliance Building and Training Session

Three Student Ambassadors were selected from the programme to participate in and present at the Johnson & Johnson Bridge to Employment Alliance Building and Training session (ABTS) in Washington DC in October 2012.

The 2012 ABTS brought participants from 60 countries together with the theme of *Global issues including youth development, education reform and effective programme management*.

Other initiatives conducted during the year include:

- **Whole School Development programmes** – delivering on the Whole School Development programmes of Harmony and Kumba Iron Ore in partnership with Gauteng, Free State and Northern Cape Departments of Education.
- **National Schools Partnership for Improved Learner Performance** – committing to a core group of catalytic organisations working towards a National Schools Partnership for Improved Learner Performance. These include the Development Bank of South Africa (DBSA), Yellowwoods, USAID and Kagiso Trust. The year focused on mobilising

different experts, role players, stakeholders and participants in the education community towards collaborating effectively and learning from existing good practice across the spectrum of actions, interventions and research. Phase Two will commence in July 2012 with the development of the model and implementation plan with roll-out (Phase Three) to start in 2013.

- **Corporate CSI Strategies** – collating information and providing advice on education and schooling to individual NBI member companies to support the development of their strategies. Examples include Absa and Imperial Holdings.
- Facilitating the business support for BUSA to the New Growth Path Accord on Basic Education and participating in the NEDLAC Task Team of social partners.
- Contributing to business input into the National Development Plan.
- The NBI serves as a member of the HRD Council Foundational Task Team.

Goals for 2013

- Continue to focus on creating a strategic and coordinated effort around Corporate Social Investment in education and skills
- Establish collective action programmes that facilitate youth to move through school and tertiary education and into business
- Continue to support government in establishing facilities and programmes to develop the appropriate skills required by the economy

Further education and training (FET) college support

The establishment of the Department of Higher Education and Training (DHET) in 2009 has provided the basis for a coherent framework for Vocational Education and Training (VET), bringing together the previously divided Further Education and Training (FET) college and skills subsystems.

The DHET is positioning FET colleges as key sites for pre-employment VET which will enhance the employability of school leavers. The DHET has made significant strides towards realising the strategic value of these institutions in addressing sustainable quality skills supply. The policy framework for post-school education and training is in place and there is a steady increase in the number of FET colleges alongside improved levels of funding and incentives for FET colleges. This could be seen as the early signs of a maturing system and the DHET is expected to provide the necessary steer and coordination for a rapidly developing and complex system.

The proactive role of business in helping to realise the vision of a coherent and responsive education and training system is vital. Through its Skills Development unit, the

NBI initiates and facilitates collaborative partnerships between government, business, schools and FET colleges to play a meaningful role in aligning the outputs of the FET college sector and labour market needs.

The transfer of FET colleges from provincial to national competence is well under way and the legal process should be concluded during 2013.

The National Skills Accord

July 2011 saw the signing of the National Skills Accord and Basic Education Accord by government, business, organised labour and community constituencies. Under the National Skills Accord, the social partners agreed to a range of partnerships aimed at achieving a target of five million jobs by 2020, under the New Growth Path (NGP).

The NBI formed part of a business delegation to the NGP process and was asked by Business Unity South Africa to act as a delivery partner on behalf of business to meet the targets as set out in Commitment 2 and 8. The Skills Accord binds all social partners to a target of 12 000 work placements for FET college graduates over three years.

The NGP has identified the shortage of mid-level skills as a key constraint to economic growth and highlights the need to expand access to FET colleges to one million students by 2014. The NGP also indicates that expanding access to FET colleges must be matched with improved access to workplaces.

The Green Paper on Post-school Education and Training

In January 2012 the Minister for Higher Education and Training, Dr Blade Nzimande, released the Green Paper on Post-school Education and Training for public comment. The Green Paper is a significant milestone for the education and training sector and provides a basis for aligning all education and training policies, strategies, plans, interventions and agencies into a single and coherent system.

The NBI manages a programme of support on behalf of the DHET which provides a foundation for the development of a robust planning, monitoring and evaluation system aimed at tracking and improving the performance of the FET college system. During the year under review, the programme helped to facilitate the implementation of the Eastern Cape and Limpopo FET College Improvement Projects as well as the ongoing development of a National FET College Turnaround Strategy.

Other developments aimed at improving the effectiveness and efficiency of the FET college sector during the period under review include the following highlights:

- The NBI serves on a Ministerial Task Team on the establishment of The South African Institute for

FOCUS AREA REVIEW (CONTINUED)

Vocational and Continuing Education and Training. The Institute is intended to support public FET colleges as well as strengthen the wider vocational and continuing education and skills development system in South Africa.

- The NBI, in collaboration with the DHET, developed a three-year plan to strengthen planning, monitoring and institutional capacity within the DHET and FET colleges, as well as to ensure greater alignment and linkages between colleges and industry. The DHET through the National Skills Fund is funding this programme to June 2012. As a result of this work, a monitoring and evaluation system has been established comprising basic guidelines and processes for institutional monitoring including data gathering, capturing, analysis and reporting at college level.
- In April 2012, the NBI hosted a dinner with business leaders and roundtable discussions with students from FET colleges in Gauteng to help inform the development of a submission on the Green Paper. Business and students supported the vision of an integrated and coherent education and training sector.
- The NBI entered into a partnership with the British Council on the design and implementation of the Skills for Employability Programme in South Africa and the establishment of the Association of Colleges for South Africa.
- The NBI together with the Industrial Development Corporation is exploring new areas of innovation in partnership with FET colleges and the DHET to develop green skills in response to the Green Economy.
- The Manufacturing SETA funded the expansion of the Graduate Internship Programme in the Engineering sector in the 2012/13 period. The project is expected to place 200 FET college graduates in a six-month internship in the workplace. The NBI is implementing this project in partnership with JET Education Services and the Swiss South African Co-operation Initiative.

Goals for 2013

- Consolidate the work undertaken in the year under review and implement innovative projects that demonstrate meaningful partnerships between FET colleges and business
- Continue to nurture existing partnerships and build new ones
- Secure funding to meet identified strategic goals

Enterprise development

Many of our members have indicated that enterprise development (ED) is a critical area for them. The NBI's ED efforts were focused on the South African Supplier Diversity Council (SASDC) which was spun out as a

standalone organisation in March 2012. We are investigating various initiatives to identify which best addresses the needs of our stakeholders and will be undertaking a consultative process and feasibility study to determine the focus of a new ED programme for the NBI. The areas of work to be considered include development of youth entrepreneurs, establishment of a process to identify and share best practice in company ED programmes and a focus on collective ED opportunities within the value chains of specific economic sectors.

Goals for 2013

- Conduct feasibility study and consult proposals
- Establish the new ED programme and source funding

Focus area 2: Natural resource demand and utilisation and resource efficiencies

Why this is important to business in South Africa

Natural resources are a key input into all businesses, regardless of their product or service offering. The business sector needs to become more cognisant of how the availability and use of these resources throughout the value chain affect their organisations.

Acknowledging the strategic implications of natural resource management in a business context is a first and critical step in ensuring a more sustainable approach to natural resource usage.

The NBI can play a role in helping companies to understand and define the strategic and long-term financial business case for improved natural resource usage and management. Guidance is also needed on how to practically change the way business operates in order to be more environmentally sustainable. The NBI can provide access to thought leadership, best practice and innovation in processes, technologies and business models as well as facilitating access to the appropriate platforms to share ideas and learnings around these issues.

Engagement with government is key to ensuring that future policies are designed to encourage more sustainable use of natural resources by business. Business also needs to engage with government around the skills required to enable the effective implementation of green practices, technologies and business models.

While much of the focus of improved natural resource management will be on changing how individual companies operate in their own right, there is a significant need for collective action programmes in this space. In many instances, change can only take place once a number of different stakeholders make a fundamental shift in their thinking and operations, and when government policy proactively supports this shift. Identifying and driving specific collective action opportunities across multiple sectors will be key to driving the shift in sustainable natural resource management.

From a content area perspective, the NBI will build on the platform of Climate, Energy and Water to extend into a more holistic offering that includes a deepened focus on water and expanding over time to include biodiversity and waste.

Key strategic objectives

- To integrate efficient natural resource management into the strategic agenda of companies
- To enable business to radically innovate the way they manage natural resources throughout their value chains
- To inform public policy to enable the proactive move towards a Green Economy
- To drive cross-sector action to effect more sustainable resource management by business

Our programmes

COP17

The NBI with the support of its members, Business Unity South Africa (BUSA) and the British High Commission, convened a series of events at the United Nations Framework Convention on Climate Change (UNFCCC) 17th Conference of Parties (COP17) held in November 2011. As a prelude to the conference, the NBI convened a series of information-sharing and capacity-building sessions between climate negotiators and companies in preparation for constructive engagement at COP17. At a strategic level, these also included support to the COP17 CEO forum to engage with government at strategic and ministerial level as well as engagement with international counterparts such as the World Business Council for Sustainable Development (WBCSD).

COP17 was effective in raising awareness, mobilising conversations and commitments across sectors towards transitioning to a greener economy. It progressed further than previous COPs in bridging the divide between business and government with much more engagement between these two important stakeholders tasked to drive Climate Change Response and transition to a greener economy.

In a variety of ways it showcased the opportunities for green investment in the South African economy while exposing the country to perspectives and solutions from global economies. It also highlighted the need for greater involvement of business in public-private partnerships to drive change. It concluded with tangible agreements, commitments, issues and actions that need to be urgently implemented.

Programmes in which the NBI was involved at COP17 include:

- **The Climate Change Response Expo** – South African business showcased its response to climate change through providing technical and technology contributions to the site of the Expo through clean energy generation and showcasing of various green solutions. A total of 35 corporates bought up 1 000 m² of space at an estimated cost of R35 million in exhibitions, personnel hours and logistics to showcase their climate change response measures. The business pavilion provided a unique opportunity for local and international business-to-business linkages and attracted various sectors of society and government including many young people.



- **Seminars** – A series of seminars was held showcasing best practice and engaging business and other stakeholders in stimulating awareness and problem-solving around critical issues in adapting to a low carbon economy.
- **The Global Business Day – 5 December 2011** – Convened by the WBCSD, the International Chamber of Commerce and the NBI and opened by the COP President together with the Minister of Minerals and Resources and Minister of Energy, this event provided a unique opportunity for local business leaders to be exposed to global perspectives with a view to applying local solutions. It also offered South African business an opportunity to present what they were already doing while raising awareness of the need to increase the focus on adaptation issues.
- **The launch of the 5th Carbon Disclosure Project – 6 December 2011** – After five years of reporting globally on its carbon emissions, the South African sample of the JSE 100 rose by 9% to take up second position among 60 other samples with an 82% disclosure rate. This strong showing demonstrates the growing awareness among South African

FOCUS AREA REVIEW (CONTINUED)

companies of their carbon emissions, the risks and opportunities associated with their status and improved levels of accountability and transparency.

- **The CEO Networking Cocktail Event on Green Investment** – This event was convened by the MEC for Economic Development and Tourism in KwaZulu-Natal and the CEO of Standard Bank South Africa with the aim of sharing views and pursuing opportunities for green investment as well as showcasing what KwaZulu-Natal is already doing in this arena.



- **The launch of the Energy Efficiency Leadership Network** – This event saw over 45 large corporations and associations publicly sign an Energy Efficiency Pledge as part of an Energy Efficiency Leadership network (EELN). The pledge is also included as the private sector's commitment to the Green Economy Accord in terms of Energy Efficiency and is recognised in the latest iteration of South Africa's Energy Efficiency Strategy. It aims to improve energy efficiency through a number of commitments, including the setting up or improvement of energy management systems, capacity building, setting of company level targets and developing implementation plans against these. The Pledge was also signed by the Department of Energy and is open for signature to other government departments, local government and state-owned enterprises. The NBI is driving this initiative as the Secretariat with the support of partners and signatories and in collaboration with BUSA and government. The inaugural meeting of the EELN was held on 6 March 2012, supported by potential network partners and sponsored by GIZ, who are a significant sponsor of the EELN's programme activities.
- **The World Resources Institute** – The World Resources Institute has partnered with the NBI to build capacity with our members and broader business to reduce greenhouse gas emission. The partnership also includes sharing of best practice through case studies, supporting companies to improve voluntary reporting and prepare for

mandatory reporting and supports the NBI's role in serving on the measurement, reporting and verification task team set up by government.



- **The Foreign Commonwealth Office** – A new project has been sponsored by the Foreign Commonwealth Office to explore the barriers to climate finance and build awareness and capacity based on this study. The project aims to ensure more appropriate access by the private sector to finance projects and plans for a low carbon/green economy.
- **Climate Change Response Measure** – The NBI is well positioned to work with the private sector in the implementation of the Climate Change Response Measures in accordance with the Climate Change White Paper released by the Department of Environment in 2011.
- **Rio+20** – The NBI was represented at Rio+20 and engaged in various environmental issues including water and biodiversity in preparation for a more holistic offering in environmental issues that link to broader sustainable development.



The Carbon Disclosure Project

In its fifth year, this project remains an important mobilising framework. It measures and tracks the performance of major companies listed on the JSE 100 Index in gathering and publishing data, setting targets and putting measures in place to respond to climate change especially from an emissions and risk and

vulnerability point of view. It has also encouraged greater investor focus on this area. The 2011 report was launched at COP17 as reported above, and a five-year impact review is being undertaken to measure the CDP's impact over the past five years.



The Water Disclosure Project

The findings of the 2011 Water Disclosure Report were released on the 12 March 2012. The report concluded that the private sector in South Africa has not assessed the value of water to their business operations and activities against the backdrop of climate change and its current and impending impacts on an already water-stressed region. Overlaying the challenge of climate change on existing challenges such as water-management, aging water infrastructure, water quality and a projected 17% gap between water supply and demand by 2030, South African companies need to apply their minds to how a disruption of water supply or detrimental water-related events might impact either their direct operations or supply chains.

While continuing its leadership of the Water Disclosure Project, the NBI is seeking to broaden its scope of work by linking with the UN Global Compact's CEO Water Mandate in its stewardship role and extending into more capacity-building roles.

The Energy Efficiency Leadership Network

The Energy Leadership Network (EELN) as highlighted under the COP17 report continues as a significant programme/workstream within the NBI. Since its launch at COP17, it has consolidated its signatories which at this point comprise primarily the significant users of energy drawn from the mining, industrial and commercial sectors. The EELN has confirmed that it will actively address the issue of energy efficiency across all energy carriers and resources in line with the



National Energy Act's definition. There are currently 58 signatories who have publicly pledged, subsequent to COP17, to:

- Improve their knowledge and skills to implement energy efficiency.
- Put effective energy management systems in place that support a continuous drive towards improved energy efficiency.
- Ensure that baselines of energy efficiency and/or peer benchmarks are in place.
- Ensure development of capacity at company level and set company-specific targets for energy efficiency improvement.
- Showcase and share best practice.
- Report on progress.

Since COP17, an advisory committee has been put in place with an elected chair. Preliminary workshops have been held and a strategy to inform implementation of collective action is being discussed. Efforts are under way to attract further funding to provide scale and depth to this programme.

Goals for 2013

- To influence a coherent and integrated approach within the private sector to environmental strategy and action linked to the promotion of a green and low carbon economy
- To support the private sector in mitigation and adaptation to climate change
- To integrate sustainable and efficient resource management into the strategic agenda of companies through collective and individual actions, including through driving energy efficiency in companies
- To enable business to innovate the way they manage natural and environmental resources throughout their value chains

FOCUS AREA REVIEW (CONTINUED)

Focus area 3: Infrastructure demand and utilisation

Why this area is important to business in South Africa

Improved infrastructure is a key precondition to increased economic growth and development. For companies, access to affordable and high-quality infrastructure services is essential to the delivery of goods and services and the underpinning of production. Business therefore has a fundamental interest in and requirement for effective infrastructure at all levels.

Business needs to inform government and other key stakeholders of their infrastructure requirements, particularly with regard to water, waste, transport and health. These requirements will be informed by key trends such as urbanisation.

In developing their own infrastructure plans, businesses will need to start thinking about the changes they need to make within their business models and operations to ensure that their infrastructural requirements are more sustainable. For example, there are significant implications for business of effective and efficient rail, electricity and water delivery systems.

Business requires support in understanding these trends and using them to inform their own plans.

Business can play a key role in engaging with government around how their policy decisions in other areas, such as the environment, affect infrastructure development. They can also assist government in identifying and, where possible, remedying the key “blockages” that are preventing infrastructure development from taking place. Finally, they could play a role in identifying the skills required by the public and private sector to enable infrastructure development and management going forward.

Our programmes

Infrastructure is a new content area for the NBI. The focus of this area will therefore be on providing thought leadership around key infrastructural issues and on providing platforms for business, government and other key stakeholders to engage on relevant issues. Over time, the NBI will initiate and drive the collective action opportunities that arise as a result of this upfront work.

Key strategic objectives

- To inform government's infrastructure development plans with business's future needs
- To enable business to adapt their business models and operations to a more sustainable infrastructure base
- To support government in addressing the key issues that are blocking infrastructure development in South Africa

Goals for 2013

- Thought leadership development and distribution through the mechanism of the Infrastructure Dialogues Partnership
- Where appropriate and relevant, facilitation of interaction between government and business as this content area grows

Focus area 4: Effective and ethical management

Why this area is important to business in South Africa Private sector

The past two years have seen radical shifts in the way companies are required to manage and report on their performance. King III, the new Companies Act and integrated reporting guidelines have brought a very different perspective to companies, requiring that they actively address sustainability at a strategic level and that they report their performance in a more holistic and integrated manner.

South Africa is leading the way globally in terms of integrated reporting, making it a particular challenge for South African organisations, who are often pathfinders and therefore do not have the benefit of past experience of others to leverage.

Boards are struggling to handle the transition to this integrated, transparent and forward-looking way of reporting. Management is battling to deal with the practical implications of managing and reporting on non-financial data and on integrating sustainability into their everyday practices.

The investment community is being pressured to actively consider the implications of sustainability-related issues in their investment decisions through codes and regulations such as Regulation 28 of the amended Pension Fund Act and the Code for Responsible Investing in South Africa (CRISA).

A key challenge facing the investment community is how to practically incorporate non-financial metrics and issues into valuation models and company assessments. There are also difficulties in comparing sustainability performance between organisations as reporting frameworks and metrics used may differ. The low level of maturity around integrated reporting compounds these issues.

Key strategic objectives

- To support business in integrating sustainability into their strategies, operations and measurement and reporting frameworks, as envisaged in King III
- To enable the investment community to successfully integrate sustainability considerations into investment decisions
- To lead the way in streamlining integrated and sustainability reporting frameworks, so as to enable more effective and comparable reporting

The NBI will need to play a key role in building a common understanding across all stakeholders of sustainability and its implications. This understanding will form the foundation on which all of the work in this area will build.

Public sector

Government faces significant challenges with regard to capacity and particularly establishing effective financial and business management principles and practices within its operations. It is also clear that an inefficient public sector makes doing business a challenge.

The private sector, with its strong emphasis on effective financial and business management, can support government in developing these capabilities and competencies that will ultimately enable a competent public sector.

This support could include mentorship and coaching programmes, financial management training and secondments of qualified private sector resources into the public sector. There are already instances of this taking place across the country. However, a more co-ordinated, strategic and collaborative approach with government to providing this support would be more effective in supporting the system.

Areas within the public sector where business could potentially play the greatest role in this way over the short to medium-term are education, municipalities and health (public hospitals in particular).

The private sector also has a role to play in supporting government in developing its overall strategic agenda. Active private sector participation and support in implementing the National Development Plan and the New Growth Path is a critical contribution towards building a national consensus and national effort that are the essential underpinnings of a successful and stable society.

Supporting government with capacity building sends a strong message to government that the private sector is committed to the overall success of the country.

Key strategic objectives

- To actively support government in developing the capabilities and capacity necessary to operate a competent public sector
- To play a key role in co-creating the vision and future strategy for the nation

The NBI is already involved in related projects and initiatives. The focus for the immediate future will be to drive a higher level of thought leadership within the NDP process and to explore particular capacity building initiatives.

Ethical behaviour

The concept of ethical and transparent behaviour is embedded in all that the NBI delivers and the organisation can play a key role in assisting the building of an ethical and transparent culture in business.

Many of the issues that underlie corrupt behaviour are not fully understood or recognised by business. It is therefore challenging to develop solutions to address the root causes of the problem.

While government is often blamed for corruption, there is a growing recognition of the fact that corrupt practices require two complicit parties. There is also increasing acknowledgement of the significant level of business-to-business corruption, as publicly evidenced by various collusion charges against business.

The NBI can play a role in identifying root causes of corruption as well as in supporting business to develop solutions that are appropriate to the South African situation using strategic partnerships such as the WBCSD and UNGC. Multi-stakeholder engagement platforms could also provide opportunities to unearth the causes and to co-create potential solutions.

As a collective action organisation, the NBI needs to actively develop programmes that drive business and most particularly, NBI members, in building an ethical and transparent culture.

Key strategic objectives

- To identify the root causes of corruption within business
- To drive the creation of innovative, local solutions to address the root causes
- To establish and drive collective action initiatives that build an ethical and transparent business culture

It is important that the NBI collaborates with other relevant business organisations to ensure minimum overlap of activities and maximum impact. The NBI's ability to leverage the UNGC relationship and knowledge base is a key differentiator.

Our projects

The United Nations Global Compact (UNGC)

Advocacy work on sustainability and corporate citizenship through the UNGC platform has continued during this reporting period with a strong emphasis on three key responsibility areas:

- Anti-Corruption Collective Action involving companies, government, academia and civil society organisations
- Adding sustainable value to local UNGC signatories and attracting new signatories
- Keeping advisory committee members involved and informed about collective local network processes

FOCUS AREA REVIEW (CONTINUED)

There has been notable progress in three major areas:

- A deeper engagement with UNGC signatories on strategy and direction of South Africa's Network
- Introduction of anti-corruption collective action into industry sectors
- Engagement at Rio+20 with our signatory companies at the global Summit in June 2012.

Overall challenges to the UNGC in South Africa include a failure of some signatories to report annually on progress, especially small and medium-sized enterprises leading to delistings, funding and active ownership of local network processes and initiatives and a lack of visible business sustainability champions on particular issues such as anti-corruption.

The NBI's UNGC plan expands the emphasis on enhancing business understanding and implementing the UNGC's 10 Principles, linking these to the requirements of the social and ethics committee under the new Companies Act and to the broader sustainability reporting landscape. The aim of the programme is to enhance the implementation of sustainability strategies into core and to facilitate a more coherent understanding of the reporting requirements. It is also a thought leadership process that will involve dialogues and demonstration of best practice supported by available UNGC tools and guidance materials.

The growth of the Local Network has been steady but there have been some losses in signatories every year due to non-reporting, a mandatory integrity requirement of UNGC globally. This growth suggests an appetite by business to align with the UNGC, apply the frameworks and benefit from the sustainability platform.

Currently we have 72 entities including multi-national corporations signed from abroad and direct South African signatories.

South Africa's Local Network has an active advisory committee with strong connections to the global board of the UNGC in New York. The Local Network intends to establish a UNGC CEO Forum as the higher strategic body.

The Anti-Corruption Collective Action Project

The UNGC project on Anti-Corruption Collective Action funded under the Siemens Integrity Initiative began in January 2011. The project has worked to position business as a key actor on anti-corruption in close collaboration with Business Unity South Africa.

One of the main objectives of the project is to create material incentives for collective action and to strengthen the business case. During this period, the concept of Integrity Pacts that can create transparency and accountability in procurement was introduced to companies, key government agencies like SARS and the National Treasury and to other anti-corruption agencies.

Discussions have been held with National Treasury on incorporating the concept of Integrity Pacts into the new Treasury Regulations and on establishing a pilot through an upcoming large public procurement project.

Another important element of the project is to enhance awareness on the role of actors on anti-corruption as well as to share learning and experiences of key actors.

The project has also reached out to collaborate with South Africa's key business schools, especially those that are signatories to the Principles for Responsible Management Education (PRME). The role of business schools in instilling a values-based culture through curriculum change is important. So far, the project has established a close working relationship with GIBS, Stellenbosch Business School and UCT Graduate School. The Rhodes Business School is in the process of signing up to the UNGC.



Integrity Pacts

Developed by Transparency International, the Integrity Pact is a tool aimed at preventing corruption in public contracting. It consists of a process that includes an agreement between a government or a government department and all bidders for a public contract. It contains rights and obligations to the effect that neither side will pay, offer, demand or accept bribes, collude with competitors to obtain the contract, nor engage in such abuses while carrying out the contract. The IP includes a monitoring system that provides for independent oversight and accountability.

Highlights of the project during the year include:

- Public pronouncements made by the President and Minister of Economic Development in February 2012 on the use of Integrity Pacts in government procurement.

- Initiating a dialogue process on collective action against corruption in the infrastructure/construction sector and establishing a task team for the sector.
- Through the project's promotion of Integrity Pacts in large projects, an increasing number of sectors are either promoting or doing own assessments to include the Integrity Pact model into their procedures.
- The project undertook an analysis with recommendations on how Integrity Pacts can strengthen South Africa's procurement which was finalised in September 2012.
- Ongoing collaboration with other sectors or organisations facilitating anti-corruption initiatives.
- Involvement in a number of public engagements with business to discuss anti-corruption and share best practices, including the annual UNGC members meeting, the Construction Sector roundtable and the annual Business Learning Forum on Anti-Corruption.

UNGC South Africa Participation at Rio+20 Corporate Sustainability Forum

Rio+20 took place in June 2012 and the UNGC created opportunities for business participation. As South Africa's Local Network, we organised the showcasing of South Africa's sustainability innovations. A venue funded by the UNGC was made available. The NBI engaged with government, led by the Department of Environmental Affairs and the UNGC office in New York, to enable South African companies' participation at the Rio+20 Global Sustainability Summit.

The aim was to make South Africa visible at the global level, access platforms for sharing South Africa's achievements and derive learnings from elsewhere. South Africa was one of only 20 countries or UNGC Local Network partners that had dedicated sessions at the Rio+20 Corporate Sustainability Forum. The side event highlighted South Africa's perspectives on the Economics and Finance of Sustainable Development. The NBI also joined the South African government's pavilion to showcase audio-visuals and case studies on sustainability from eight of its signatory companies.

A Rio+20 feedback session was held in partnership with GIBS in July 2012 in Johannesburg.



State-owned enterprises sign up to the UNGC

Also in July 2012, the NBI, in partnership with Eskom, hosted the Minister of Public Enterprises at a breakfast meeting aimed at motivating more companies to join/sign up to the UNGC and increase the impact of sustainability. The Minister had at an earlier meeting committed the seven state-owned enterprises to join/sign up to the UNGC and implement the 10 principles. These include South African Airways, SA Express, Denel, SAFCOL, Alexkor, Infraco and Transnet. South Africa's SOEs signing up to the UNGC sends a positive signal for sustainability in South Africa.

Goals for 2013

- Establish a UNGC CEO Forum
- Continue work to pilot an Integrity Pact in a large public procurement project
- Build company understanding of how to apply the UNGC principles in the context of the social and ethics committee
- Build awareness of sustainability best practice and ways to streamline and improve the quality of sustainability reporting

DIRECTORATE



Joanne Yawitch
Chief executive officer

Joanne Yawitch has been the chief executive officer of the NBI since March 2011. Prior to this she was a deputy director general at the Department of Environmental Affairs responsible for environmental quality and protection as well as for the department's climate change work.

Joanne worked for the Gauteng Department of Environment from 1997 to 2004 and prior to that was special advisor to the then Minister of Land Affairs.

Joanne was involved in the land sector for many years and was a director of the national land committee in the late 1980s and early 1990s as well as a fieldworker for the transvaal rural action committee before that.



Makano Morojele
Director: Skills development

Makano Morojele currently holds the position of director, skills development unit at the NBI a position she's held since April 2011. Prior to this, she headed the Secretariat for the Joint Initiative on Priority Skills Acquisition (JIPSA) and managed the transition of the JIPSA work into the human resource development council.

While at the Nelson Mandela Foundation (2003 to 2006), she managed groundbreaking research in South African rural schools and communities which resulted in a publication titled, *Emerging Voices: A Report on Education in South African Rural Communities*.



Gillian Hutchings
Director: Membership and communications

Gillian Hutchings is the membership and communications director of the NBI. In November 1991, Gillian joined the Consultative Business Movement (CBM) and was seconded to the Convention for a Democratic South Africa (CODESA) and to the Multi-party Negotiation Process (MPNP) as secretary to the management committee and the daily management committee. When the MPNP had completed its work and the transitional executive council (TEC) was appointed to oversee the transition to and preparations for the elections of April 1994, Gillian was appointed as managing secretary of the TEC itself, as well as the management committee. Gillian's current role within the NBI includes leading all aspects of membership relationships and funding, communications, the provincial offices and the NBI's foundation in the USA.



Valerie Geen
Director: Climate and energy unit

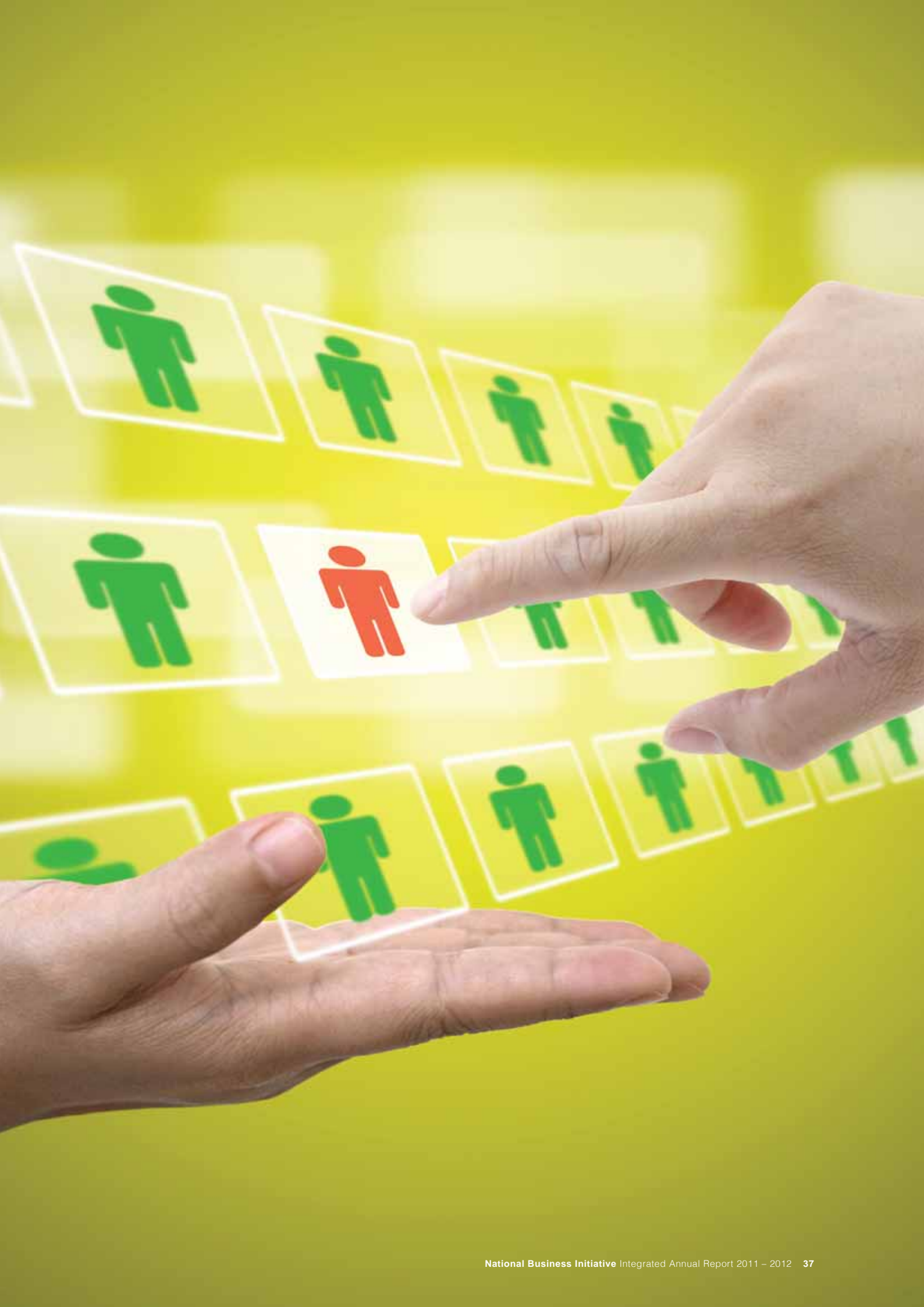
Valerie Geen is the Director of the NBI's climate and energy unit which she has led for the past seven years. In this role, she has led the organisation's focus on advocacy and implementation among its member companies in the areas of energy efficiency, climate change and water disclosure among other sustainability areas. She initiated the NBI's role as partner to the UN Global Compact, the Carbon Disclosure Project (CDP) and more recently, concluded a partnership with the World Resource Institute to build capacity in the private sector in greenhouse gas accounting. Through her work, the NBI has won the *Mail and Guardian's* Greening the future awards in the Energy and Carbon Management category twice. She is one of the Minister of Energy's "Women in Energy" ambassadors.



Marianne Scott
Director: Human capital development – business in schooling

Marianne Scott is the director for human capital development: business in schooling at the NBI. Her career reflects her passion for the link between education and skills development, the world of work and active citizenship. She was also the Principal of the Carletonville Technical College which then transformed into Western FET College. She started with the NBI in 2003. She actively believes in the positive role business plays in society, especially through collective action. She led the Colleges Industry Partnership, the Technical Skills Business Partnership and also worked on schooling development e.g. the EQUIP (Education Quality Improvement Programme) for the NBI.

She is part of the core group of catalytic partner organisations that have been working on a national partnership for improving education outcomes through a district and school focus.



GOVERNANCE REPORT

Ongoing commitment to good governance

Since incorporation the NBI has remained committed to sound corporate governance principles and to ongoing compliance with regulatory requirements in South Africa. As an organisation we believe we have a responsibility towards all our stakeholders to effectively implement and report on our practices, which are underpinned by the values of accountability, integrity and transparency.

King III and NBI level of compliance

The NBI board has welcomed the introduction of the King code of Governance Principles (King III), which became effective in March 2010. Since then the NBI has engaged with a number of consultants to assist the organisation in reviewing existing governance practices and the appropriate levels of implementation of the King III principles.

We are pleased to report that there were no material instances of non-compliance with our current governance principles during the 2012 year. However, while the board is currently satisfied that the NBI is well governed, it recognises that a number of practices within the King III framework need to be reviewed within the foreseeable future and this process is ongoing. We have identified certain key matters in the table that follows and summarised them with our evaluations of their current status. All of the matters have been considered in relation to the size and public nature of the NBI. In addition, the NBI is currently reviewing its governance structures and systems to ensure we comply with the requirements of the Companies Act.

Principle	Evaluation	Looking ahead
Ethical leadership and promoting an ethical climate	Management has considered the values promoted by the NBI to people and its stakeholders. The NBI board has also stated that this issue is and should continue to be integrated into all workstreams of the NBI.	The current values, which the NBI promotes, facilitate an ethical environment and ethical interactions with staff and our stakeholders. Furthermore, these issues continue to be integrated into the NBI workstreams.
NBI board and its directors	The NBI currently has a board comprising 37 members who are representatives from member firms and selected leaders. The NBI executive committee (Exco) assists and supports the board by providing oversight, guidance and advice to the CEO and management. Both the board and Exco are chaired by Mr Cas Coovadia, supported by two deputy chairs – Ms Bongive Njobe and Mr Eric Ratsikhophu.	Due to the increased duties and responsibilities of the board and to ensure compliance with the new Companies Act and King III, the NBI restructured its governance structures in 2012. The proposed structure that has been agreed in principle by the NBI board shall comprise a membership council and the formation of a board of no more than fourteen members, with at least eight of the fourteen being member company representatives. Once implemented, the current board and Exco would be disbanded.
NBI audit and risk committee	The NBI's audit committee has been chaired for the past year by an independent member of the board, Ms Zarina Bassa, on an acting basis following the resignation of Mr Suresh Kana of PwC, who resigned as chair in December 2011. This has meant that two audit committee meetings have been held with two independent directors present. Once the new board is in place a new audit committee will also be established. The NBI board is satisfied with the work being conducted by the audit committee.	Due to the size of the organisation and the increased responsibilities and duties as recommended by King III, the core duties of the audit committee have been expanded to include those of oversight of the management of risk in the organisation. The Terms of Reference for the audit and risk committee have been updated accordingly and increased time will be devoted by the audit committee to incorporate these additional responsibilities.

Principle	Evaluation	Looking ahead
NBI audit and risk committee (continued)		It should be noted that it has been agreed at the NBI board that the social and ethics issues would remain a standing item on their agenda.
NBI remuneration committee	The NBI currently has a remuneration committee that governs and oversees the policy for recognition and reward. The committee is also responsible for the evaluation of the performance of the NBI CEO. The committee is chaired by Mr Eric Ratshikhopha.	The committee provides the NBI the appropriate level of governance required by King III in matters relating to remuneration.
IT governance	The role and responsibilities of IT governance as recommended by King III has been reviewed and considered.	<p>The board has requested management to assess the current status of IT security and levels of oversight. This assessment is currently taking place. A review of the adequacy of the organisation's IT systems has been concluded and its recommendations will be processed and implemented.</p> <p>Based on this review, a draft IT charter will be detailed and reviewed by the board. The IT governance process will be overseen by the audit and risk committee.</p>
Compliance with laws, rules, codes and standards.	The NBI promotes adherence to laws, rules, codes and standards.	This matter is of ongoing importance.
Stakeholder relationships	The NBI has assessed its level of stakeholder interaction and believes it is proactive in engaging with its stakeholders. Engagements include regular communication and, meetings.	<p>Within the context of the NBI strategic review, a sample audit has been undertaken of NBI stakeholders. A further sample audit is to be undertaken as part of the brand audit process that is currently underway.</p> <p>The NBI has also developed a sustainability maturity model to further facilitate a deeper engagement with its member companies.</p> <p>Ongoing engagement with stakeholders remains a strength of the NBI. Due to the nature of the operating context, ongoing review of both internal and external stakeholders will continue.</p> <p>As noted above, the restructuring of the current board will give rise to the membership council which will play a valuable role in providing strategic guidance and oversight to stakeholder (including membership) activities.</p>

GOVERNANCE REPORT (CONTINUED)

Delegation of authority

The NBI exercises a hierarchy of approvals within the organisation. Due to the relatively small size of the organisation, these approvals take place at a senior level.

Risk assessment

In performing the current year's risk assessment, the NBI has identified that the major risks facing the organisation relate to attaining funding within a tough economic environment, and effectively managing the liquidity of the organisation, which is largely based on membership fees and donor funding. These risks are of an ongoing nature and the NBI will continue to work towards ensuring the active management of stakeholder (including membership) relationships and operational efficiencies in order to manage these risks.

Furthermore, the NBI continues to develop and refine the levels of risks and its risk appetite. As a membership and donor-funded organisation, reputation is of great importance. Policies, which are currently in the process of being revised and formalised, will provide guidance on risk tolerance and the consistency of accepting such risk across the organisation.

Sustainability

Sustainability affects the NBI in two ways. Sustainability is a key consideration within the NBI's operations, as well as being the primary objective for projects the NBI undertakes.

We believe that through monitoring and mitigating the risks indicated above, differentiating ourselves even further and ensuring we continue to connect with our stakeholders (including the NBI membership), the organisation will continue to sustain itself towards achieving its company objectives.

The NBI's objective to shape a sustainable future through responsible business leadership and action is inextricably linked to the success of the projects it undertakes. Through the NBI's project management, which includes both performance and financial monitoring, the NBI continues to work with our members and partners to ensure that the projects continue to progress and produce the desired results. The success of these projects will reinforce the NBI's credibility with its members, who will in turn contribute to the longevity of the organisation.

REMUNERATION REPORT

NBI directors volunteer their time and therefore receive no remuneration. Of the board members, only the NBI chief executive officer receives remuneration, in the form of her salary. This remuneration is overseen by the

NBI's remuneration committee. The remuneration committee is responsible for the performance of the chief executive officer and for policy recognition and reward.



GRI INDEX

As part of our progress in demonstrating our commitment to integrating the concept of sustainability into the organisation, we provide a table of this report's alignment with the Global Reporting Index (GRI) G3.1

guidelines. We have chosen not to have the sustainability information in the report externally assured this year. This report meets the requirement of GRI Application Level C.

G3.1 Content Index – GRI Application Level C		
Application Level C		
Profile disclosures		
Profile Disclosure	Description	Section
1.1	Statement from the most senior decision-maker of the organisation.	Chairman's report
2.1	Name of the organisation.	Who we are
2.2	Primary brands, products, and/or services.	Who we are, Our strategy
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Who we are
2.4	Location of organisation's headquarters.	Contact details
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	About this report
2.6	Nature of ownership and legal form.	Who we are
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Who we are
2.8	Scale of the reporting organisation.	Financial and non-financial highlights, Human capital.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	About this report
2.10	Awards received in the reporting period.	There were no awards received during the reporting period.
3.1	Reporting period (e.g. fiscal/calendar year) for information provided.	About this report
3.2	Date of most recent previous report (if any).	About this report
3.3	Reporting cycle (annual, biennial, etc.)	About this report
3.4	Contact point for questions regarding the report or its contents.	Contact details
3.5	Process for defining report content.	Our most material issues
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	About this report
3.7	State any specific limitations on the scope or boundary of the report.	About this report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	There were no changes in basis for reporting that affect comparability.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	There were no restatements of information provided in earlier reports.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	There were no significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.
3.12	Table identifying the location of the Standard Disclosures in the report.	This table

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Governance report
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	The chairman of the board is also the chairman of the executive committee.
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Governance report
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Stakeholder engagement
4.14	List of stakeholder groups engaged by the organisation.	Stakeholder engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder engagement
Economic performance indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Economic sustainability
EC4	Significant financial assistance received from government.	There was no significant financial assistance received from government during the year under review.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Focus area review
Environmental performance indicators		
EN4	Indirect energy consumption by primary source.	Environment
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Environment
EN8	Total water withdrawal by source.	Environment
EN9	Water sources significantly affected by withdrawal of water.	Water is withdrawn from municipal sources.
Social performance indicators – Labour		
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Human capital
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region.	Human capital
Social performance indicators – Human Rights		
HR4	Total number of incidents of discrimination and actions taken.	There were no incidents of discrimination reported in the year under review.
Social performance indicators – Society		
SO4	Actions taken in response to incidents of corruption.	There were no incidents of corruption reported in the year under review.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	There were no significant fines or non-monetary sanctions for non-compliance with laws and regulations reported in the year under review.



Financial statements

INDEPENDENT AUDITOR'S REPORT

ON THE SUMMARY ANNUAL FINANCIAL STATEMENTS

To the members of the National Business Initiative for Growth Development and Democracy (Non-profit company)

The accompanying summary annual financial statements of the National Business Initiative for Growth Development and Democracy, which comprise the summary statements of financial position at 30 June 2012 and the summary statements of comprehensive income, changes in equity and cash flows for the year then ended, are derived from the company audited annual financial statements of the National Business Initiative for Growth Development and Democracy for the year ended 30 June 2012.

We expressed an unmodified opinion on those company annual financial statements in our report dated 7 December 2012.

The summary annual financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the company audited annual financial statements of the National Business Initiative for Growth Development and Democracy. Reading the summary annual financial statements, therefore, is not a substitute for reading the audited annual financial statements of the National Business Initiative for Growth Development and Democracy.

Directors' responsibility for the abridged financial statements

The directors are responsible for the preparation of the summary of the company audited annual financial statements in accordance with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the summary company annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary company annual financial statements derived from the company audited annual financial statements of the National Business Initiative for Growth Development and Democracy for the year ended 30 June 2012, are consistent, in all material respects with those financial statements, on the basis described in the related notes.

BDO South Africa Inc.

BDO SOUTH AFRICA INCORPORATED

Per: Diane McCallum (Partner)

Registered Auditor

7 December 2012

22 Wellington Road

Parktown

Johannesburg

2193

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	2012 R'000	2011 R'000
Assets		
Non-current assets		
Property, plant and equipment	278	332
Intangible assets	221	394
Total non-current assets	499	726
Current assets		
Trade and other receivables	6 504	8 796
Cash and cash equivalents	13 372	19 504
Total current assets	19 876	28 300
Total assets	20 375	29 026
Funds and liabilities		
General development fund	1 966	2 094
Non-current liabilities		
Trust funds administered	15 631	22 720
Deferred lease accrual	52	223
	15 683	22 943
Current liabilities		
Trade and other payables	2 719	3 704
Bank overdraft	7	285
	20 375	29 026

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	2012 R'000	2011 R'000
Revenue		
Membership donations	15 419	14 960
Project cost recovery	12 008	9 705
Other income	892	276
Total income	28 319	24 941
Administration costs	(8 367)	(9 839)
Personnel expenditure	(17 718)	(17 944)
Abnormal items	–	(450)
Restructuring costs	(2 553)	–
Surplus before net finance income	(319)	(3 292)
Finance income	203	576
Finance cost	(12)	(2)
Deficit for the year	(128)	(2 718)

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	General development fund R'000
Balance as at 1 July 2010	4 812
Changes in equity	
Total comprehensive (deficit)/surplus for the year	(2 718)
Total changes	(2 718)
Balance as at 1 July 2011	2 094
Changes in equity	
Total comprehensive (deficit)/surplus for the year	(128)
Total changes	(128)
Balance as at 30 June 2012	1 966

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	2012 R'000	2011 R'000
Cash flow from operating activities		
Cash generated from/(used in) operations	1 372	(5 984)
Interest income	203	576
Finance cost	(11)	(1)
Net cash from operating activities	1 564	(5 409)
Cash flow from investing activities		
Purchase of property, plant and equipment	(126)	(267)
Sale of property, plant and equipment	(6)	3
Purchase of other intangible assets	(210)	(323)
Sale of other intangible assets	12	1
Net cash from investing activities	(330)	(586)
Cash flow from financing activities		
Movement in project funds administered	(7 088)	5 599
Total cash movement for the year	(5 854)	(396)
Cash at the beginning of the year	19 219	19 615
Total cash at the end of the year	13 365	19 219

CONTACT DETAILS

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