



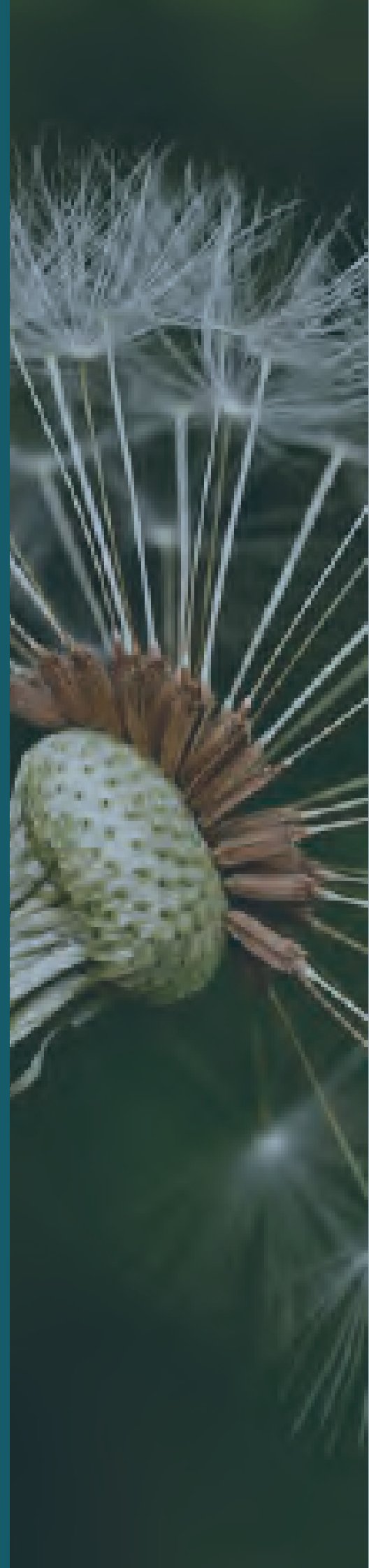
NBI

National Business Initiative



INTEGRATED ANNUAL REPORT 2015/2016

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Our Value Proposition, Vision & Values

The NBI's value lies in our ability to bring our members together with government and key stakeholders to build their capacity, identify areas of shared risk and opportunity through thought leadership, and then define issues for collective action implementation. The NBI's independence, its track record and roots in business, and its positive and cooperative governmental relationships, is a resource of value to the business community. In addition, our ability to identify new issues and engage proactively on them is widely acknowledged.

OUR VISION

Creating and supporting a sustainable, equitable and thriving society that makes South Africa one of the world's great places to live, work and do business.

OUR MISSION

The NBI, as a business collective, provides the progressive leadership and advocacy roles needed in South Africa to support and accelerate business action to achieve a sustainable, equitable and thriving society.

OUR VALUES



About this report



This integrated annual report sets out details of the NBI's strategy, activities, performance and prospects for the twelve months ending 30 June 2016. The report is structured around the most material financial, environmental, social and governance issues facing the organisation, as well as the activities of its primary workstreams.

The report has been prepared to align with the governance principles of the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (King III), the statutory reporting requirements of the Companies Act, 2008 as amended, and the guidance of the International Integrated Reporting Council's International <IR> Framework.

While the guidelines of the GRI (Global Reporting Initiative) G4 have been considered in the preparation of this report, we do not report in accordance with the G4.

The report covers the activities directly undertaken by the organisation and includes relevant information for the financial year ending 30 June 2016 up to the date of this report. The information provided in the transformation section of this report aligns with the dates of the B-BBEE certificates reported in that section.

The financial information contained in this integrated report has been independently audited by BDO and their report can be found on page 54. The B-BBEE certificate is externally verified. While we acknowledge the benefit of external assurance over other sustainability issues, we have to date not considered such assurance given the small size of the organisation and its relatively insignificant direct environmental impact.

The board of directors acknowledges its responsibility to ensure the integrity of the integrated report and has applied its collective mind to the preparation and presentation of the integrated report. The board is of the opinion that the information contained in the report is accurate and is presented in accordance with the <IR> Framework.

For further information regarding the contents of this report, please contact:

Justine Alston

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Who we are

The National Business Initiative for Growth, Development and Democracy (NBI) is a registered public benefit organisation established in March 1995. Membership comprises of a group of around 100 South African and multinational companies working together to promote economic growth, sustainable development and an enduring democracy, particularly for the benefit of the disadvantaged communities of South Africa.

'We believe that collective action between business, government and society supports large scale positive and sustainable systemic change.'

The NBI is a global network partner of the World Business Council for Sustainable Development (WBCSD), the focal point of the United Nations Global Compact (UNGC) Local Network in South Africa and an implementation partner of the CEO Water Mandate, We Mean Business and the CDP.

These partnerships with some of the most influential global corporate responsibility organisations ensure that our strategic direction and work content are world class, and provide unique access for South African companies to international thinking and intellectual capital.

INTERNATIONAL PARTNERSHIPS



The CEO Water Mandate

WE MEAN BUSINESS

LOCAL PARTNERSHIPS



'We believe that collective action between business, government and society supports large scale positive and sustainable systemic change.'

What we do

The NBI is a non-mandated, independent and agile business collective action movement with a proven record of delivery on a broad range of projects over more than two decades. These projects have made a significant difference in areas including housing delivery, crime prevention, local economic development, public sector capacity building, Further Education and Training, schooling, public private partnerships, energy efficiency and climate change. The NBI also played a catalytic role in establishing the Business Trust and Business Against Crime, as well as high level programmes such as the Joint Initiative on Priority Skills Acquisition (JIPSA).

The NBI mobilises the collective ability of companies, as responsible corporate citizens, to influence the triple context in which they operate (economic, social and environmental) and thereby to play a constructive role in transforming the country and creating an ethical, prosperous and equitable society.

The deep partnerships we have developed through our projects put the NBI in a strong position to build business coalitions to address South Africa's many challenges. This offers those seeking a sustainable future for South Africa a practical and effective platform on which to engage with each other, government and other stakeholders.

Our work streams are strongly influenced by the local and international guidance provided by South Africa's National Development Plan (NDP) and the Sustainable Development Goals (SDGs).



Organisational Structure

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES
<p>Financial capital</p> <ul style="list-style-type: none"> • R13.8 million in membership fees received • R10.5 million in project costs recovered <p>Intellectual capital</p> <ul style="list-style-type: none"> • Experience and expertise in workstream and project teams • Access to IP of global corporate responsibility organisations <p>Manufactured capital</p> <ul style="list-style-type: none"> • Office premises and office equipment <p>Natural capital</p> <ul style="list-style-type: none"> • Electricity consumed* • Water used* <p>Social and relationship capital</p> <ul style="list-style-type: none"> • Long-term relationships with key stakeholders in government, business and communities. • Partnerships with some of the most influential global and local corporate responsibility organisations <p>Human capital</p> <ul style="list-style-type: none"> • 38 skilled and committed staff 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Integrating Strategic Projects : Green Economy and Climate Finance, NDP, SDGs, Re-Imagining Africa and Socio-economic</p> <p>Environmental Sustainability</p> <ul style="list-style-type: none"> • Climate Change • Water • Energy • Offsets • Biodiversity and Waste <p>Social Sustainability</p> <ul style="list-style-type: none"> • Skills Development • UNGC <ul style="list-style-type: none"> - Anti-corruption - Human Rights - Social and Ethics Committees 	<ul style="list-style-type: none"> • CDP Climate Programme • CDP Water Programme • CEO Water Mandate • Carbon pricing project • GHG accounting training • Energy Efficiency Leadership Network • Private Sector Energy Efficiency Programme concluded • We Mean Business • Socio-economic Scenarios • Construction Industry Partnership Programme • TVET Colleges and Green Skills • Tourism and Hospitality Lecturer Placement • Anti-corruption and Integrity Pacts • Human rights work • NDP Implementation Plan • SDG Implementation Plan 	<p>Financial capital</p> <ul style="list-style-type: none"> • R5.8 million spent on administrative costs • Reserves increase R5.3 million • Intellectual capital • Knowledge and understanding among members • Experience in workstream and project teams • Manufactured capital • R62 000 additions to computer equipment <p>Natural capital</p> <ul style="list-style-type: none"> • Carbon emissions* • Office waste* <p>Social and relationship capital</p> <ul style="list-style-type: none"> • Improved co-operation between government, business and other stakeholders, for example through the CEO Initiative <p>Human capital</p> <ul style="list-style-type: none"> • R14.1 million distributed to employees in salaries and wages <p><i>*Not material and not quantified this year due to capacity constraints</i></p>

Highlights

PROGRAMME FUNDING

Increased 20% to R10.5 million, supported by the timing of receipt of project funds

HEADCOUNT

Decreased to 20 on conclusion of a major project

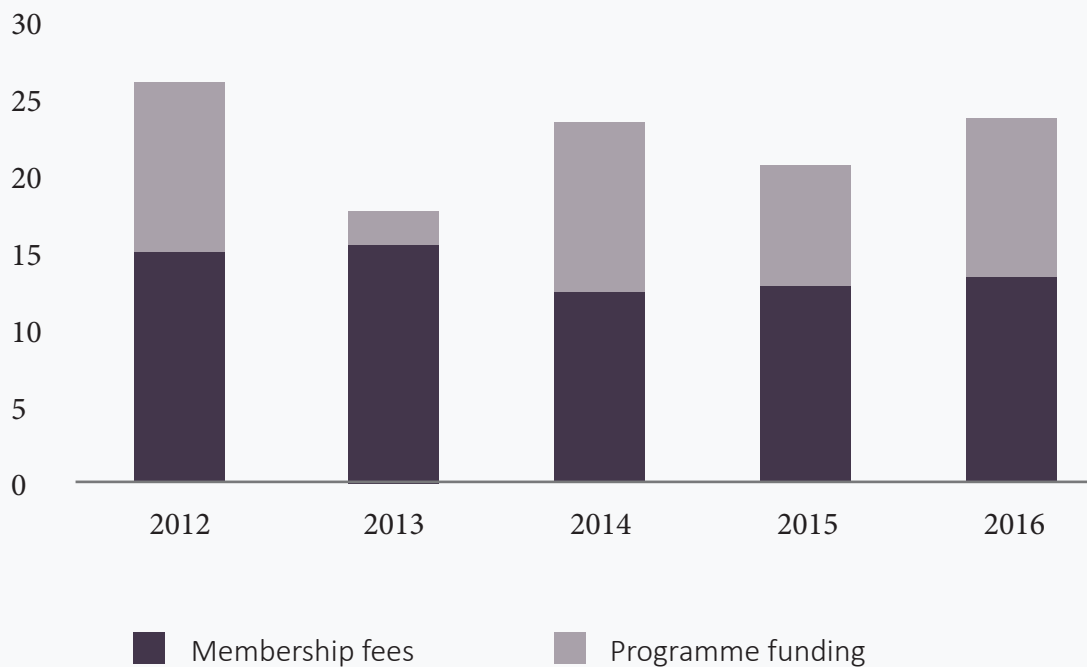
BEE STATUS

Remains at Level 1

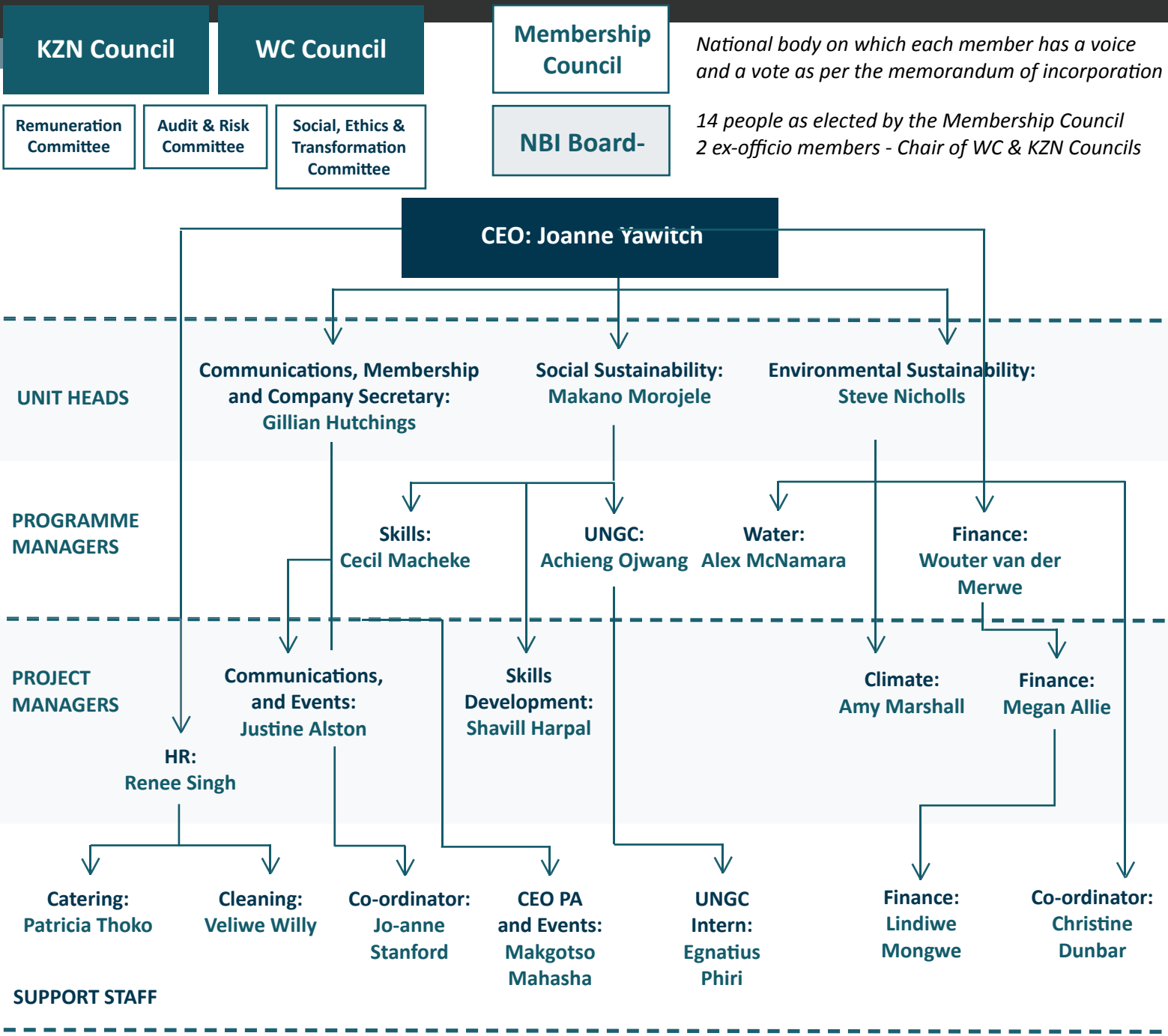
BLACK BENEFICIARY BASE OF SOCIO-ECONOMIC PROJECTS

Remains at 100%

Income by Source (Rm)



The NBI Organogram



Our Members



Our Strategy

Business success is not achieved in isolation, but is inextricably linked to societal success. South Africa faces many socioeconomic issues, such as slow growth, high and structural unemployment, low skills and productivity levels, a long-term energy supply shortage, a complex regulatory environment and low levels of trust between business and government.

Business too has challenges related to its own transformation agenda that include defining how its business practices best address societal issues. Issues include inequality, poverty, skills deficits, the need to support supply chains and entrepreneurs, race and gender issues, and the need to embed a robust human rights culture in companies and in their relationships with stakeholders.

It is clear that business needs to play a broader role in society beyond merely ensuring regulatory compliance. By taking on this challenge, leading corporations have the opportunity to shape the future of the society in which they operate and the strategic context within which they will compete.

Solutions to South Africa's current challenges demand that government, business and civil society engage proactively, demonstrate courageous leadership and take collective action. Identifying simple, practical and impactful ways to address these complex issues requires companies to be informed, agile, and able to proactively identify and address new risks and initiate action that will have meaningful results.

The NBI defines its purpose as a catalyst for collective business action to achieve sustainable growth and development. Through our programmes, thought leadership and relationships of trust with government, the NBI supports companies to meaningfully address these issues and find solutions to the challenges they pose.

NBI's STRATEGY 2015 - 2017

A strategy workshop was held at the start of the financial year which led to a revised strategy that was submitted to and approved by the Board in November 2015. On the back of this, management proposed a number of new programmes in tandem with a process of restructuring, driven by funding constraints.

The revised strategy aims to deliver tangible value to NBI members and make a measurable contribution to societal objectives. Integration across work programmes has been tightened and membership value optimised. Senior management in each unit is tasked with defining and developing their programmes, and establishing groups of members aligned with each area with which to work. They are also required to raise funding to deliver on programmes and manage the team put in place to deliver on projects.

The strategy aims to balance the short-term requirement to ensure organisational sustainability with the necessary long-term focus required to implement projects and facilitate conversations that create long-term change. We also need to balance the need to deliver short-term value to members in their specific areas of interest while ensuring that the sum of our projects effectively addresses the major challenges facing the country.

Our governance structure, which is described in detail on page 57-60 of this report, ensures that our activities align with the needs of our members through the role played by the Membership Council.

The four primary organisational goals arising from the new strategy are the starting point for the NBI Scorecard, which breaks these down into KPIs and allocates responsibility for delivery within the organisation to drive and monitor progress on practical implementation.

The core organising principle of the NBI's work has been distilled into three themes that provide strategic direction and an organising framework.



Meeting the challenge of economic transition and social transformation

Developing a long-term vision of what is required to achieve a successful economic transition and a transformation processes that will build a cohesive and stable society.



Voices for courageous business leadership

Supports business leadership to engage constructively and honestly, internally, with government and with other stakeholders in society, to build consensus on key societal problems and their solutions.



Action for a better future

Developing practical implementation programmes in the skills development, energy efficiency and anti-corruption areas.

The themes are used to drive cross-cutting projects across programme areas, such as the Thought Leadership Series, the NDP Implementation Project and the WEF Risk Matrix.

The NBI's projects are grouped into three focus areas that have strong positive integration and are strongly influenced by the local and international guidance provided by South Africa's NDP and the United Nations' SDGs. These core work streams are discussed in more detail in the sections starting on page 34.

STRATEGIC OBJECTIVES

Core Work Streams/Focus Areas

Projects influenced by:



Supported by:



ECONOMIC TRANSITION

Environmental Sustainability

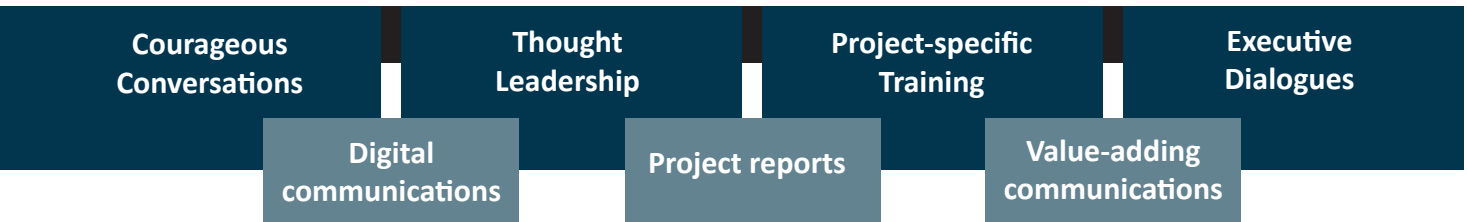
- Climate Change
- Energy
- Waste
- Biodiversity
- Food Security

SOCIAL TRANSFORMATION

Social Sustainability

- Skills Development
- Anti-corruption
- Human Rights

INTEGRATING STRATEGIC OBJECTIVES



The NBI brings knowledge of international business trends to South African companies by interpreting the relevance and significance of the work done by organisations such as the WBCSD (World Business Council for Sustainable Development), the CEO Water Mandate and the CDP for South Africa.

The core work streams are supported by various engagements that enable market delivery through communications, including:

- Courageous conversations;
- The thought leadership series;
- Digital communications including info-graphics;
- Project reports and project specific training;
- Executive dialogues on social transformation and cohesion; and
- Value-adding communications, including weekly newsletters, Quick Briefs, direct and social media engagements and through the website.

Our strategy and ways of working aim to achieve three key outcomes:

- NBI members are recognised as a source of innovation and positive action and as trusted implementation partners.
- NBI members actively implement collective action projects and influence policy through business-led solutions.
- NBI members are sufficiently respected to speak out through directed courageous conversations against mismanagement, poor practice and corruption in both the public and private sectors.

In addition to our long-term strategic goals, the NBI also provides significant short-term value to our members through:

- **Thought leadership and capacity building:** We help to build parity in knowledge, understanding and capacity across our members, to assist them in successfully integrating sustainability into their business.
- **Authenticity and credibility:** Our independence and challenging outlook provides a company and funders with authenticity and reputation benefits by association. Our expert advice enables companies to make decisions with confidence.
- **Networking:** By creating a community (that includes peers, government, funders and experts) around core issues we further companies' ability to get things done. Key to this are safe channels of communication with Government.
- **Flexibility:** By providing inexpensive training and current affairs knowledge we enable our companies to run leaner. We help assure our members that they are focussing on the correct issues in the correct context.
- **Collective action impact:** The NBI helps member companies anticipate business sustainability trends, risks and opportunities with programmes demonstrating a combination of strategic thinking and practical implementation. This builds resilience to social and environmental risks. Through the power of collective action, global and local sustainability challenges can begin to be solved.
- **Trust building:** The NBI continues to operate as a bridge between two different agendas, namely business and public policy. Whereas public policy focuses on social demands and political priorities, business focuses on economic and financial priorities. More often than not, despite the different focuses, these two sectors have the same outcome in mind: **a sustainable society**. The NBI plays a bridging role between its members and government, thereby giving its members an opportunity to substantively engage in collective action on national interest issues.

Sustainability and the six capitals

The NBI's goal to drive business participation in an economic transition and social transformation has the ultimate aim of supporting the long-term sustainability of business in South Africa by creating an economic, environmental, social and governance context in which all stakeholders can thrive.

We maximise value for our members by:

- leveraging the intellectual capital developed within the NBI, as well as that arising from our close partnerships with global institutions such as the UNGC and WBCSD, the input of our members, and through our collaborations with academic institutions and industry thought leaders; and
- building social and relationship capital through our standing in the business community and our established partnerships with regional and national government.

While our primary focus is not on creating financial capital for distribution to providers of capital, we have to ensure that we have access to sufficient funds to enable us to continue to create value for our members and society through our projects, training initiatives, thought leadership and ongoing engagements with stakeholders. This is one of the most critical challenges to the long-term sustainability of the NBI as an organisation.

Our employees, including management and work stream heads, comprise the human capital available to the organisation to implement our programmes and support our activities. As a relatively small organisation, our reliance on manufactured capital largely relates to our office infrastructure and equipment. Similarly, while our direct input on natural capital is not significant, our projects in the environmental sustainability work stream create significant value for our members.

OUR MOST MATERIAL SUSTAINABILITY ISSUES

Our material issues are those matters that we believe have the most significant potential impact on the organisation's long-term sustainability and include both financial and non-financial considerations. As an organisation established on the principles of sustainability, we appreciate that environmental, social and governance risks and opportunities ultimately translate into financial risks and opportunities and equally affect our ability to generate sustainable value for our stakeholders over the long term.

The graphic below summarises our most material issues. These were identified and prioritised through our risk processes, board and management deliberations, membership engagement, strategic planning sessions and the reporting process. The section starting on page 20 of this report analyses each of these issues in more detail.

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5



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RELEVANCE	RESPONSE
1. FINANCIAL SUSTAINABILITY (Page 20-23)	
<p>Ensuring sustainable and predictable access to sufficient financial capital is essential to enable us to continue to create value for our members and stakeholders through our programmes, relationships and intellectual capital.</p>	<ul style="list-style-type: none"> • Membership Council and continuous engagement with members ensures the organisation remains relevant to member needs. • Formalised collection procedures to drive timely receipt of member fees. • Restructuring and continued strict focus on costs manages expenses without compromising delivery. • Disciplined approach to project management ensures programme delivery and project cost recovery. • Full cost recovery model for non-NBI members. • Broadened funding model sources programme funding at an early stage. • Sponsorships in money and kind sourced for projects.
2. STRATEGIC POSITIONING (Page 24-25)	
<p>With a number of business organisations active in South Africa, we need to ensure that we continually communicate our unique position and demonstrate the value we deliver to meet our members' changing needs.</p>	<ul style="list-style-type: none"> • Revised strategy aligns to members' needs. • Membership Council ensures member input into NBI work streams and overall strategy. • Continual engagement with members to understand their needs and reiterate our value proposition. • Key projects in each work stream. • Ensuring a good understanding of competitor organisations' value propositions and how we compare.
3. GOVERNANCE (Page 27-28)	
<p>Good governance is essential for organisational sustainability, and to ensure compliance and effective implementation throughout the organisation.</p>	<ul style="list-style-type: none"> • Compliance with the Companies Act and relevant legislation. • Application of the principles of King III in our organisation.
4. HUMAN CAPITAL (Page 28-31)	
<p>We need to attract and retain motivated staff with the appropriate skills to deliver on our strategy effectively.</p>	<ul style="list-style-type: none"> • Organisation structured for improved delivery. • Ongoing engagement with staff to address morale issues arising from the restructuring. • Process in place to recruit required skills. • Team-based approach to ensure spread of skills and relationships.
5. TRANSFORMATION (Page 31-32)	
<p>The NBI is committed to the principles of transformation.</p>	<ul style="list-style-type: none"> • Certified value-adding level 1 B-BBEE contributor, affording 135% procurement recognition level to donors including a certified 100% black beneficiary base, supporting benefits under Social Economic Development.
6. ENVIRONMENT (Page 34)	
<p>While our direct environmental impact is small, we recognise our obligation to manage it responsibly.</p>	<ul style="list-style-type: none"> • Tracking and reporting of environmental indicators. • Energy, water and waste efficiency initiatives are in place.

Chairman's Report



Cas Coovadia
NBI Chairman

Dear NBI Stakeholder

Challenging economic times tend to narrow the focus of business to short-term concerns and their immediate bottom line, and the associated cost-containment initiatives limit the availability of funds for business organisations such as the NBI. The NBI drives collaboration and collective action between business and government, and between businesses, to achieve economic transition and social transformation. The irony is that the role of the NBI in difficult times when funding is harder to raise is far more important than when the economy is stronger and the social and environmental issues our projects address seem less pressing.

We believe that the boards of South African companies have a key role to play in instilling a longer-term view of these critical environmental, social and governance (ESG) issues. This will drive the realisation that actively ameliorating the impact of these concerns, while less immediately obvious, is nevertheless important to support the company and its bottom line.

The constrained local economic conditions during the year were further complicated by the socio-political backdrop of policy uncertainty, concerns about possible ratings downgrades, the dynamics in government and the ruling party, as well as the anti-establishment trend manifesting locally through the EFF and internationally through developments such as Brexit.

The NBI has always been effective in bringing businesses together to work with government but at the start of the year under review the relationship between government and business was particularly strained. This improved over the course of the year and we believe some of this change was attributable to the efforts of the CEO Initiative.

One of the most significant strategic challenges the NBI faces is the need to establish a sustainable funding model to ensure that we have the ongoing capability to facilitate collective action and implement the projects needed to drive positive change across South Africa's ESG challenges. Our response to date has been to shift the responsibility for funding to a project-led model, to establish a board-level membership and fundraising committee to coordinate and guide fundraising, to keep a strong focus on costs and to broaden our funding base by reactivating our offshore funding structures.

Implementing our strategy in a challenging environment

The NBI offers a compelling value proposition and satisfaction levels in our member surveys remain high, indicating that constricted funding is not due to clients, members and others not seeing value in what we do. As an organisation we do however need to be more flexible and dynamic to better understand the specific challenges members face and respond proactively.

Our good progress during the year in our environmental and social sustainability focus areas, specifically around climate change, water, youth employment, the National Development Plan and the UN Sustainable Development Goals, highlights the important distinguishing work the NBI does by developing rigorous data-driven reports and bringing business together to identify and implement collaborative solutions.

The role of the NBI played as secretariat for the CEO Initiative provided good exposure for the organisation at a high level in both business and government, and led to approaches to play a facilitatory role in similar government/business initiatives. Many of the issues addressed by the CEO Initiative fall within our social sustainability focus area, introducing the NBI to the broader efforts to address these overarching dynamics and allowing the organisation to provide valuable input.

Governance and sustainability

The three-year term of the majority of directors came to an end during the year and a new board was elected at the membership council meeting in March 2016. On behalf of the NBI management and staff, I would like to express our grateful thanks to the outgoing NBI board members for their time, dedication and input over the last three years, and take this opportunity to welcome the new board members.

The membership and fundraising committee will refine our approach to interactions with members, supporting the move from voluntary to contractual relationships to improve cashflow forecasting and planning. The organisational restructuring is beginning to bed down and delivering the planned benefits. As reported on page 62, the audit and risk committee has been very active this year with a focus on risk and finances.

The draft King IV Report released for public comment in March 2016 emphasises integrated reporting and the need to identify a broader range of stakeholders. Business is required to conduct its activities with consideration for the interests of, and impacts on, this broader stakeholder grouping. This underscores the increasing importance of ESG considerations when doing business – areas that are, of course, the bread and butter of the NBI's activities. We expect this trend to accelerate as the impacts of global warming, water issues and increasing challenges to the socio-political status quo continue to develop. The NBI has shown over the years that it can play a leading role in providing a space for business to agree platform issues and support individual businesses to address these from their unique positions and perspectives.

Looking ahead

I believe that the year ahead will be a positive one for the NBI as we build on the benefits of the restructuring and continue the momentum in our project pipeline. This will be supported by our efforts to develop a sustainable funding model, more robust interactions with our members and our ability to leverage the opportunities arising from our good work in the CEO Initiative.

Acknowledgements and thanks

I would like to thank our CEO, Joanne Yawitch, and her team for the great job they have done this year under difficult circumstances. The restructuring has been extremely hard and the contribution of the unit heads that stepped up so competently to assist needs to be acknowledged. I thank our employees too for their dedication and commitment – we are a small team with a lot to do. Without their substantial efforts we could not have achieved what we did during the year.

Our board deserves a great deal of credit for their strong contribution during the year. Our new board has been very active, giving good strategic direction and playing an increasing role in funding through the membership and funding committee.

We recognise the difficult conditions in which our members are operating and thank them for their continued support. Since our surveys and interactions with members show that they recognise the value the NBI offers, we appeal to them to continue their support and collaboration to drive the change we need to see in our country.

I would like to conclude by thanking all of our stakeholders – government, business and others.

Working together in the year ahead we have an opportunity to make real progress in driving economic transition and social transformation.

CEO's Report



Joanne Yawitch
NBI CEO

Operating conditions were particularly challenging during the past year, with low to negative GDP growth rates and the country in the grip of a drought. Business confidence remained generally depressed on the back of the deteriorating political environment, serious social upheaval - particularly around education issues - and ongoing robust negotiations with labour.

While many of these challenges relate directly to issues the NBI's core work streams seek to address, our ability to raise funding was impacted, particularly the project and bilateral funding that the NBI relies on to support initiatives which drive long-term systemic change.

But the more challenging the business environment, the more opportunity there is for the NBI to make a difference. The NBI has a strong programmatic presence in the environmental space and has demonstrated its ability to deliver in this area. Recently however, there has been a shift in the nature of environmental, social and governance (ESG) concerns from chiefly environmental to a much greater focus on socio-economic issues. This offers the NBI an opportunity to deepen our social sustainability initiatives to follow this shift by identifying and developing additional projects that are effective in addressing the most pressing socio-economic issues.

Overall, the organisation performed well during the year, delivering on our projects, managing our finances responsibly and ending the period with a surplus. We brought extra capacity into the organisation through a number of internships and the Thought Leadership series took off during the period. We completed the revamp of our strategy, reframing our value proposition and increasing our relevance to members. Our new website launched and membership surveys showed good approval for our performance.

Financial performance

Although the depressed business environment constrained our ability to raise funding, membership remained largely stable and membership donations increased 5% to R13.7 million. Project cost recoveries increased 31%, although this increase is partly attributable to the late receipt of funds from the prior year.

Our focus on cost containment combined with the benefits of the restructuring, saw administration costs decreasing 25% and personnel expenditure declined 9%. The combination of these factors helped the NBI to end the year in surplus and we were able to add R5.3 million to our reserves.

Operating performance

The NBI's overall purpose is to support economic transition and socioeconomic transformation, an aspiration that frames everything we do to address these very topical and urgent needs.

We executed well on our projects during the year, particularly in the environmental work stream, and again demonstrated our ability to deliver on our targets and within timeframes. The first half of the year saw a lot of effort put into the Private Sector Energy Efficiency (PSEE) project to achieve our targets and close out the programme. This was a substantial original project and while its successful completion was one of the year's highlights, one of our biggest disappointments was our inability to source funding to carry forward the excellent progress made in driving energy efficiency initiatives in businesses around the country.

Other environmental programmes that did well during the year included the work we did with We Mean Business around climate change, the increased traction we achieved with our initiatives around water, our activities with the World Business Council on Sustainable Development on low carbon financing and water, and some excellent initiatives around energy futures and energy scenarios.

Our projects in the social sustainability focus area also continued to develop, with good progress made on the solar skills project, the tourism and hospitality sector project and the construction work placements programme. Towards the end of the year, a great deal of time and energy was spent on supporting the CEO Initiative.

We made good progress on a number of cross-cutting programmes that fall under our Integrating Strategic Projects focus area, particularly the projects around the National Development Plan (NDP) and the UN Sustainable Development Goals (SDGs). As is the intention with these projects, they spanned across our environmental and social sustainability work streams and pulled the units together to improve integration and support.

The NDP and SDG projects involved close collaboration with members to define the projects and identify how these frameworks relate to their individual circumstances. These initiatives help companies to implement the aspirations of the SDGs and NDP into their activities and directly supports our overarching goal and purpose.

Our Thought Leadership focus area is a members-only programme that produced a lot of excellent output during the year and was well supported and received by members.

Our work around the UN Global Compact was an area that did not go as well as we had planned during the year. Despite the importance of initiatives that counter corruption, funding came to an end during the period and our anti-corruption programme was wound down. But activities continued around child rights, human rights and labour, which included collaboration with other Global Compact partners internationally. Given the significance of these challenges, this is definitely an area we plan to scale up.

The NBI aims to achieve its goals by developing thought leadership, supporting capacity building and facilitating collective action. Collective action initiatives with multi stakeholder projects take time to establish – much more so than research or capacity-building programmes. We were strong in the environmental area in thought leadership and capacity building, but not as strong in facilitating collective action. In the social sustainability work stream, we were strong on collective action, but less so on thought leadership. We will focus on bringing more balance to these activities across our focus areas in the future.

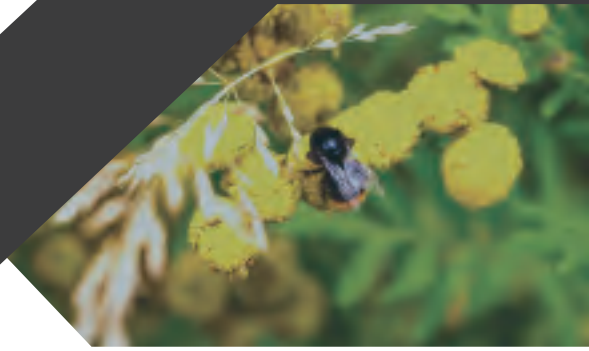
Looking forward

In the year ahead, we will focus on building scale in the social sustainability focus area to convert the theoretical work of the current year into programmes that deliver results. We will continue our coordination of the critical CEO Initiative to serve the leadership of the business community broadly. We will provide our members with further high-level thought leadership and we see work around energy futures as an important future opportunity.

Through our membership and fundraising committee we will increase our focus on serving our members better, communicating more assertively and identifying more innovative ways to offer value to our broader stakeholders. With the necessary commitment from our members and potential members, we can continue to deliver initiatives that inform business, bring it together and align it with government to drive the economic transition and social transformation that is so necessary to build a sustainable, equitable and thriving society.

Joanne Yawitch
NBI CEO

Our Stakeholders



The NBI creates value for members and stakeholders through our facilitation role and ability to build deep and lasting relationships with business, government and other key stakeholders. This focus on developing social and relationship capital means that stakeholder engagement is one of the core activities of the NBI. We define our broader stakeholders as any group affected by and affecting the organisation's operations and their interests and concerns are important inputs into our strategy, programmes and activities.

During 2016, we continued to develop our stakeholder engagement framework by progressing our stakeholder engagement plan, which will be finalised and approved in 2017 and translated into a clear implementation plan. The plan links closely with our communications strategy and includes the NBI Value Proposition. We also refreshed the NBI logo and updated and relaunched our website during the year.

Stakeholder engagement mechanisms include one-on-one meetings, events, communiques, board and committee representations and digital and other NBI platforms.

NBI publications and communications are distributed to members and stakeholders across a range of platforms such as:

- 'On a Clear Day' is published weekly and reaches around **2 000 readers**;
- 15 'Quick Briefs' were sent to a database of about **2 000 subscribers** in the year under review;
- An increase in followers on LinkedIn and Twitter;
- 'NBI in the News' is compiled and sent out quarterly;
- NBI content inclusions in the WBCSD quarterly Global Network Newsletter; and
- Various reports such as the CDP Report, CDP Water Report, Reimagining Africa and other thought leadership papers and articles.



Various events were held around the country, including NDP implementation dinners in August and September 2015, a PSEE Programme Conference in October and the annual member and stakeholder feedback meetings in Johannesburg, Cape Town and Durban.

The table below lays out the NBI's main stakeholder groups, how we interact with them, their key concerns and how we address these.

STAKEHOLDER GROUP	NATURE OF ENGAGEMENT	CONCERNS	HOW WE ADDRESS THESE
Members	Continual interaction, Board representation, Membership Council (both national and provincial), programme advisory structures, various publications, 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	Interaction during project setup, delivery and closure/exit	Effective sustainable development	Delivery on our core projects
Project sponsors	Interaction during project setup, delivery and closure/exit	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, BBC)	Interaction through partnerships and other business forums	Co-ordinated and collaborative 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 pay • Good working conditions 	<ul style="list-style-type: none"> • Performance management reviews • Ongoing communication
Academic institutions	<ul style="list-style-type: none"> • Ongoing interaction • Sitting on advisory boards • Lecturing 	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 • Participation in working groups • One-on-one support of key officials 	Advancing the country's sustainable development agenda	<ul style="list-style-type: none"> • Delivery on our core projects • Developing thought leadership • Leveraging strong relationships with government to play a bridging role between government and businesses
Strategic partners (including the WBCSD, UNGC)	<ul style="list-style-type: none"> • Ongoing project-level interaction • High-level interaction 	<ul style="list-style-type: none"> • Advancing the country's sustainable development agenda • Demonstrating the contextual relevance for South Africa 	<ul style="list-style-type: none"> • Delivery on our core projects • Developing thought leadership in support of sustainable development

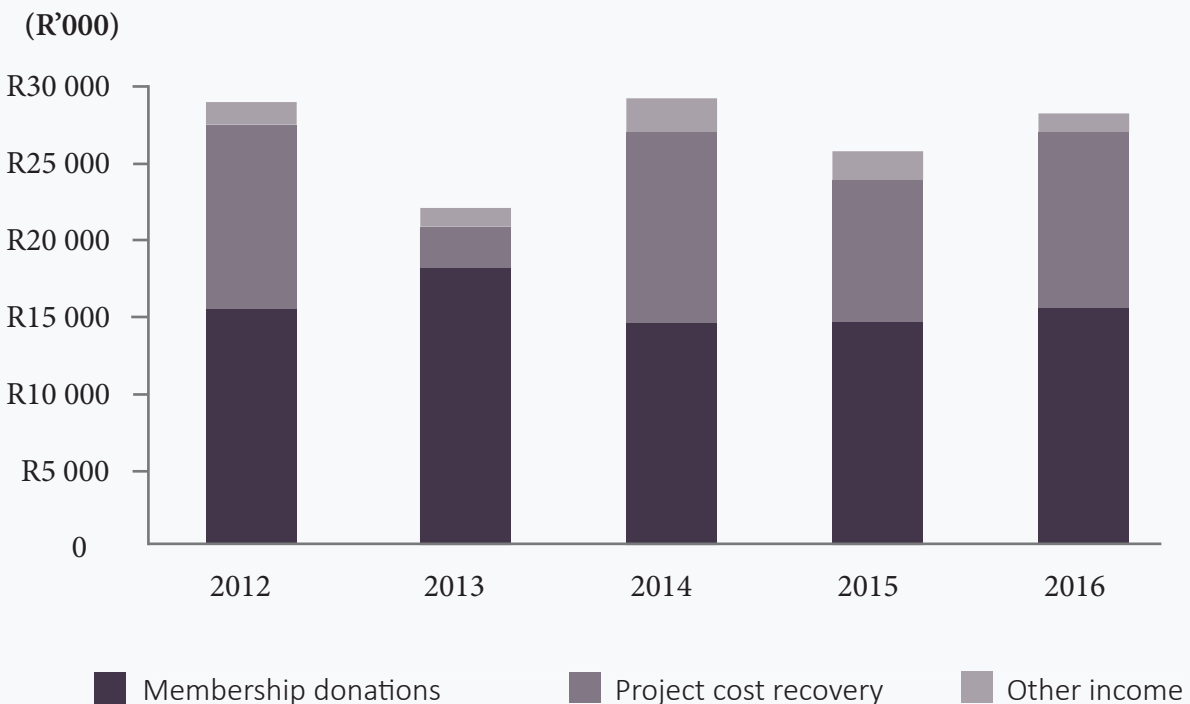
Our most material matters

FINANCIAL SUSTAINABILITY

To be able to implement sustainable long-term projects that deliver value to our members and support economic transition and social transformation, the NBI needs to be able to access sufficient financial capital and manage its cost base responsibly. Funding comes from a combination of membership fees (57% of total funding in F2016) and programme funding (43%).

Membership fees cover the bulk of core operational costs, with the balance coming from donor funding and project recoveries. While historically some projects have been funded out of core funding, developing a more sustainable business model was a key focus during the current year.

Revenue by Source



The most significant risk the NBI faced in the 2016 financial year was the impact of the weak economy on members and their ability to support organisations such as the NBI that require short-term funding to deliver long-term social value.

The NBI works proactively with member companies to make sure that the organisation stays relevant and creates value that aligns with members' changing needs. The strategy revision and restructuring in the current year supports this goal by ensuring projects are outcome-based, programme areas shift to a self-funded model so that membership fees do not subsidise these and organisational expenses are covered by membership income.

Wherever possible, we negotiate three-year agreements with members, build in an inflationary increase for fees and request one year’s notice of cancellation of membership to support improved financial planning. Feedback from members regarding the value the NBI offers has been very positive, member retention has improved and we continue to receive requests from new members. The organisation also accepts non-financial contributions from members, such as secondments, personnel time, or the use of facilities. Collections on outstanding membership fees have also improved.

We have finalised an integrated fundraising strategy with a clear implementation plan that informs the organisational approach to membership and project management, and sets financial targets that will be incorporated into employee performance agreements. Prospective members have been identified, particularly in sectors where the NBI is under-represented.

We continue to explore opportunities to source funding internationally to leverage the NBI’s unique ability to implement regional initiatives given our strong track record in project delivery, focus areas and high levels of governance assurance.

Financial Performance in 2016

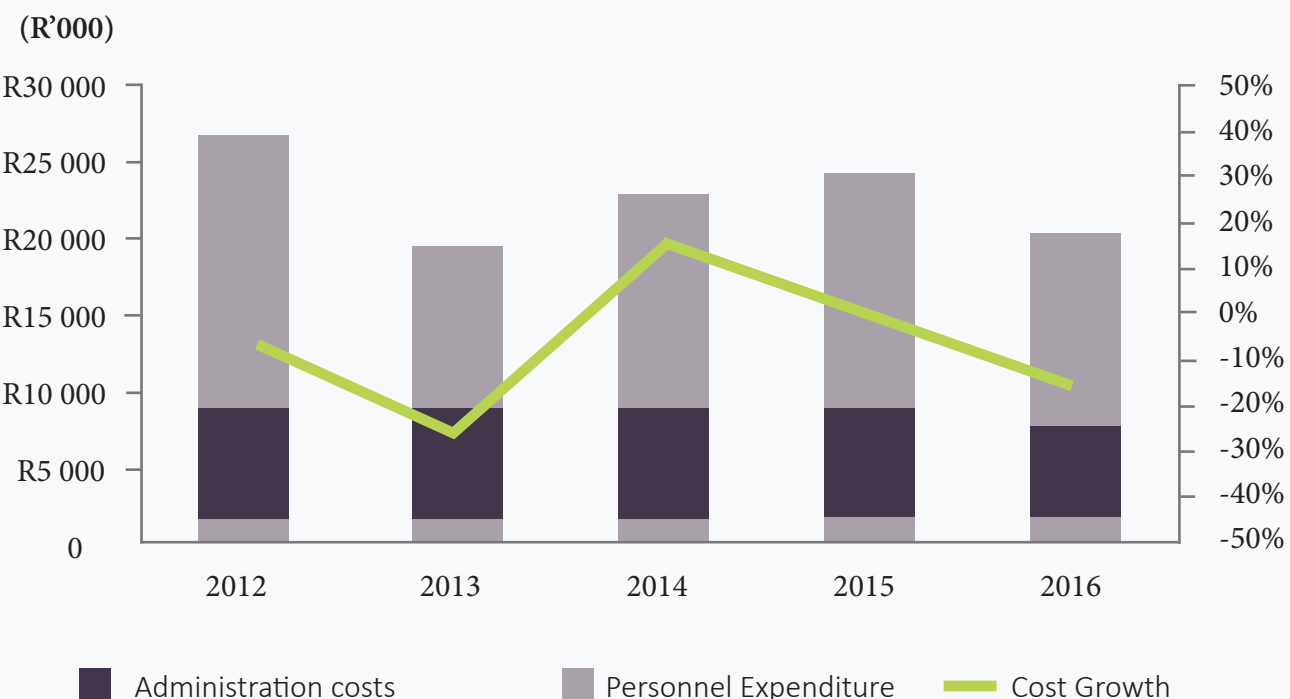
Membership donations increased 5% to R13.7 million (2015: R13.1 million) while project cost recoveries increased 31% to R10.5 million (2015: R8.0 million), which was supported by the delay of receipts on the PSEE project from the 2015 year end. Total revenue (including other income) increased 9% to R25.0 million (2015: R22.9 million).

Administration costs decreased 25% and personnel costs declined by 9%, leading to a decrease in total costs of 14%. The surplus for the year led to an increase to the general development fund of R5.3 million compared to a deficit of R272 000 in 2015.

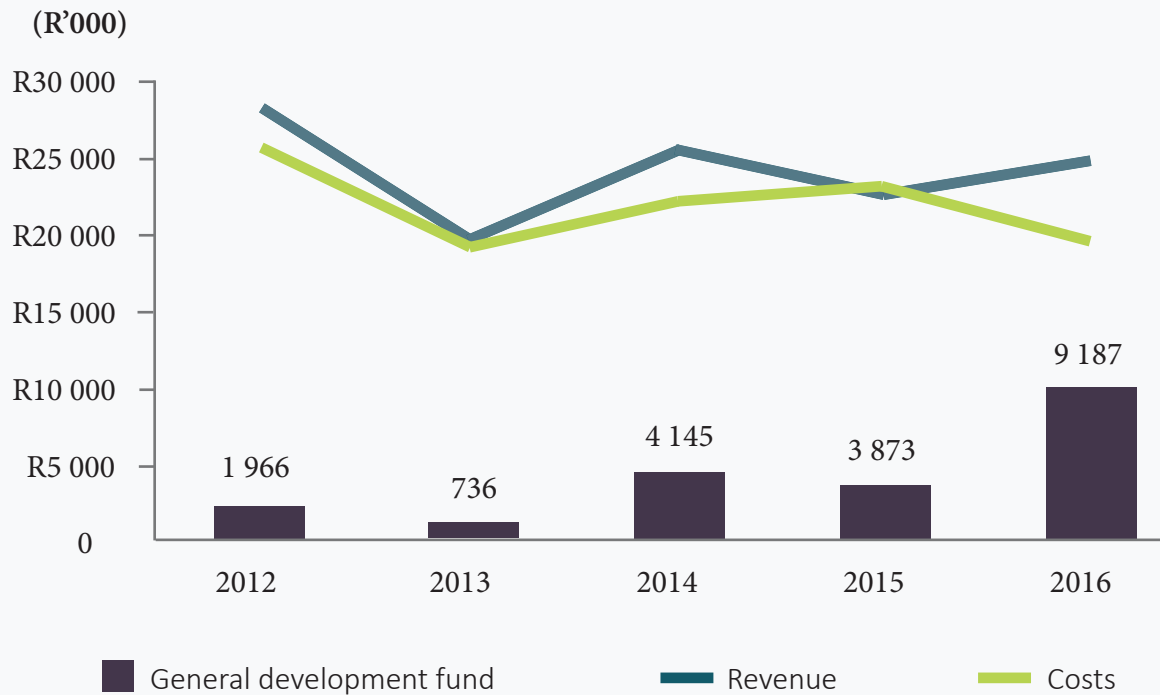
The surplus was attributable to increases in company sponsorships, stability in membership, a strong fundraising performance by the environmental sustainability unit and good cost control. Administration costs were reduced through negotiation of the lease on office space, renegotiation of the printer contract, reduced use of IT support services and a focus on reducing overseas travel that is not project funded or sponsored. Development of the new website received funding from one of the projects.

Management has implemented financial KPIs that are regularly reported to monitor costs, recoveries and cash position.

Costs



NBI Revenue, Costs and Reserves



PROGRESS ON 2016 GOALS

1. Membership income to continue to be increased through retention and new member acquisition, as well as project income to ensure the ongoing implementation of the NBI's strategy and the rebuilding of the NBI's reserves. *Membership income increased 5% and member retention has been good. Project recoveries improved reserves increased by R5.3 million.*
2. Continue with the focus on cost efficiencies. *Administration and personnel costs were well controlled and total costs decreased 14% year on year.*
3. Improve on the financial reporting function in order to provide more up-to-date and relevant information for decision making, outcome analysis and project costings. *The head of the environmental sustainability unit is supporting the finance function to ensure delivery.*

GOALS FOR 2017

1. Grow membership to **R14 million**.
2. Ensure **three months** cashflow.
3. Improve project income to **R4 million** (R2 million per unit).
4. Raise **\$150 000** in international funding.
5. Increase the general reserve by **R6 million**.
6. **Enhance board involvement** in membership acquisition and the membership council.
7. Show **improved customer satisfaction** scores in the annual membership survey.

VALUE ADDED STATEMENT For the year ended 30 June		COMPANY		
		2016	2015	2014
		R 000	R 000	R 000
WEALTH CREATED				
Revenue		25 000	22 906	25 879
Value Added		25 000	22 906	25 879
Income from Investments		219	81	119
Wealth Created		25 219	22 987	25 998
WEALTH DISTRIBUTION				
	%			
Employees				
Salaries, wages and other benefits	56%	14 138	15 452	14 846
Member related activities	9%	2 215	4 340	2 640
Infrastructure costs	14%	3 531	3 447	5 095
Interest on borrowings	0%	21	20	8
Government taxation and levels		0	0	0
Retained in the company	21%	5 314	272	3 409
To provide for the maintenance of capital		2 976	272	1 909
To provide for expansion		2 338		1 500

STRATEGIC POSITIONING

The NBI effectively competes for funding against other South African business organisations and a multitude of socio-economic development projects in the country. We need to ensure that our actions, projects and programmes clearly demonstrate our unique value proposition to stay relevant in the minds of our members, the business community and broader society.

The NBI's expertise in project implementation, and focus on social and environmental sustainability, differentiate us from other business organisations, as well as our emphasis on the areas that have the greatest potential to develop scale to positively impact both beneficiaries and our members.

We communicate our key activities, the value we offer to members, thought leadership and the effective delivery on our projects through our media strategy, customer relations and online profile. Involvement in the organisation, its committees and at its events strengthens a sense of ownership of the organisation among members.

Wherever possible, we work closely with other business organisations to ensure that projects and programmes are complementary and to minimise duplication. These include Business Unity South Africa (BUSA), Business Leadership South Africa (BLSA) and the Black Business Council (BBC). Demonstrating the intellectual capital and thought leadership developed in our focus areas also helps to demonstrate the value of the NBI to members and project funders. We partner with other thought leaders to ensure that members benefit from broader insights into key issues. These partners include, amongst others, KPMG (Green Economy Work), Accenture (Reimagining Africa Report) and PwC (Water).

Engagements with members during the year identified their top concerns as coordinating support for municipal capacity and waste water treatment works improvement and we are working on identifying projects that would be effective in addressing these areas. A third concern relates to capacity at TVET Colleges, an area in which the NBI has been active for several years.

We undertook a project to map the United Nations Sustainability Development Goals against the NBI work areas to determine the points of intersection and the opportunities arising. The NBI also played a key role in the CEO Initiative that worked with the Finance Minister to prevent a ratings downgrade, and was requested by the Minister and the Business Convenor to coordinate the joint business-government steering initiative that is working to support inclusive growth and address the risk to the country's sovereign credit rating.

Continuous engagement with other established business organisations and civil society was ongoing and management continued to capitalise on NBI's relationship with the WBCSD and the UNGC, tapping into international thinking and intellectual capital.

PROGRESS ON 2016 TO 2018 GOALS

1. Align and integrate the organisation's programme work in relation to the theme/purpose of 'Economic Transition and Social Transformation', with integrating strategic projects (cross cutting), and two core programme areas, i.e. an Environmental Programme and a Social Programme.
The new strategy and organisational structure has been implemented.
2. Develop a focus on understanding and managing business risk and opportunity through integrating this into the thematic areas and programme work.
Ongoing.
3. Bring knowledge of international business trends to South African companies through interpreting the relevance and significance of the work done by organisations such as the WBCSD, the CEO Water Mandate and the CDP for South Africa.
Ongoing.

4. Build a strong focus on sharing company best practice experiences between companies and on communicating these experiences broadly.
This has been a strength of the NBI's over the years and continues to be a priority.
5. Develop a thought leadership programme targeted at key levels within companies, including CEOs and the C-suite and agree on board leadership of aspects of this work.
The NBI continues to deliver thought leadership to key business decision makers.
6. Create the ability to respond rapidly to emerging current events and to hold engagements that would support business in addressing these. This is over and beyond programme work and its associated thought leadership programme.
This is an ongoing focus.
7. Structure communications support to get information out rapidly.
Ongoing.
8. Develop platforms to recognise leading companies for their work.
Ongoing.
9. Have a portfolio of action-based implementation programmes that demonstrate the value of collaboration and joint action.
The NBI's programmes are designed to be outcomes-based and leverage collaboration effectively.
10. Develop effective means to engage with government and civil society.
This is an ongoing area of focus.
11. Review our current partnerships and develop a structured plan for engagements that will bring value to both the NBI as well as others.
This is an ongoing area of focus.

GOALS FOR 2017

Note that the KPI's linked to the organisational goals established in the NBI Score Card (listed below as they relate to this material matter) replace the 2016 to 2018 goals listed above.

1. **Develop a set of socio-economic scenarios** that will enable us to develop a shared understanding of economic transition and social transformation.
2. Host at least **5 capacity building events** in each of our existing topic areas (climate change, water, skills, anti-corruption and human rights).
3. Host at least **five events discussing nation building and social cohesion**.
4. Align member companies behind specific collective action programmes by hosting **a series of executive leadership dinners on economic transition (4 events)**.
5. Provide **efficient, effective coordination** for the CEO Initiative.
6. Progress the **delivery of the NDP Action Plan**.
7. Communicate the **impact of the NBI**.
8. Communicate **ambitious NBI positions** to NBI stakeholders, working with government to implement effective policy.
9. Enhance the impact of our **international partnerships**.

PROJECT EXECUTION

The NBI's strong track record of practical implementation of projects and programmes supporting sustainable development in our focus areas complements the conceptual aspects of strategic thinking and thought leadership, and makes us unique among business organisations. It also makes effective delivery of project outcomes within budget and deadline a critical concern.

By demonstrating good implementation, we build trust with members, partners, government and other stakeholders, and show that financial capital is responsibly managed and effectively allocated. This also supports the NBI's strong reputation as an organisation that delivers. The capacity required to ensure effective project execution in terms of staff levels, operational structure and cost base, must be carefully balanced against the financial capital available to the organisation.

During 2016, the NBI management committee was restructured to include the CEO, the three unit heads the broader leadership that includes programme managers. This new structure has proven to be very constructive and has enabled the leadership team to pull together more tightly. It will also enhance succession planning.

PROGRESS ON 2016 GOALS

1. Regular, refined and robust reporting to be improved across the entire organisation.
The KPIs in the NBI Score Card include improved reporting.
2. Continued improvements to the contract management system.
The contract management system has been rolled out across the organisation and improvement is an ongoing progress.
3. Project management and execution to continue improving through regular reviews and reporting across the entire organisation.
Regular review and reporting is being implemented through the KPIs.

Project-specific goals for 2017 are set at the end of the work stream sections on page 34 (environmental sustainability) and page 48 (social sustainability).

The NBI is committed to the principles of good governance described in King III. Good governance is essential for organisational sustainability, and to ensure compliance and effective implementation throughout the organisation. We support the development of a governance culture through our role as the local host of the UNGC and through several initiatives that are discussed in more detail in the social sustainability section on page 48 of this report.

The NBI’s governance architecture aligns the organisation with the requirements of the Companies Act and King III, and ensures that we remain a member-led organisation that creates value for both beneficiaries and members. Our governance structures and activities for the year are reported in the governance report on page 57.

A set of NBI values was developed and linked to the behaviours required to realise these values. Managers worked with their teams to discuss and review the NBI values and behaviours matrix. An internal communications strategy was developed around the values and behaviours and these have been included in employee performance contracts.

During the year, the Social Ethics and transformation committee assessed the organisation’s alignment with the ten principles of the UNGC, with the relevant responses shown in the table below.

UNITED NATIONS GLOBAL COMPACT PRINCIPLES

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

The NBI adheres to all international prescripts and strives to foster a culture of tolerance and respect. In its programme work, the NBI has a strong focus on ensuring the companies understand their obligations and monitor and assess against international and national benchmarks.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

There is no union operating within the NBI, however the organisation supports the right to associate freely. The NBI is vocal in its condemnation of forced and child labour and its programme activities embody this. The NBI strives to ensure that it does not discriminate in its employment practices. This is embodied in the recruitment policies as well as in labour practices.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

The NBI supports a precautionary approach to environmental challenges and a proactive approach to its own environmental footprint, which is minimal. The NBI measures its carbon footprint and is a CDP respondent. The NBI attempts to reduce its footprint by limiting travel, managing energy proactively, and has signed the energy saving scheme of the landlord. Attempts are also made to limit waste by recycling, and to conserve water.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The NBI has a zero-tolerance approach to corruption. The Anti-Corruption policy has been workshopped with all staff, who are required to sign the policy to indicate their familiarity with its contents. A gift register is maintained whereby all staff are required to declare gifts worth over R300. The NBI’s internal controls, procurement policy and the auditors’ annual review of internal controls are all mechanisms that assist in ensuring that the organisation operates in an honest manner. It was noted that the NBI does not give gifts, other than flowers for births, illness or bereavement.

PROGRESS ON 2016 GOALS

1. Ensure that all staff are included in the policy review process and trained on updated policies.
Staff have been trained on the revised policies updated last year.
2. Conduct more robust induction processes for new staff to ensure they are aware of the policies and procedures in the organisation.
The induction process has been strengthened and expanded to include key organisational policies and procedures.
3. Review the values process and engage with staff on living and demonstrating the values in the organisation behaviourally.
An ongoing programme is in place to integrate the NBI values within the organisation and the values are now prominently displayed at our offices.

GOALS FOR 2017

1. Regularly review and update the corporate risk register allocating accountability for mitigation measures and communicating this to the NBI team.
2. Maintain financial discipline through budget compliance and regular financial reporting.
3. Ensure effective corporate record keeping and knowledge management.
4. Conduct regular and effective management team and leadership team meetings.
5. Ensure regular and effective board and board sub-committee meetings.
6. Secure board approval of strategy and business plan.

HUMAN CAPITAL

The value that the NBI offers through strategic insights, thought leadership, training, events and effective project delivery arises from the intellectual capital in the organisation and the dedication and commitment of the human capital embodied in our employees.

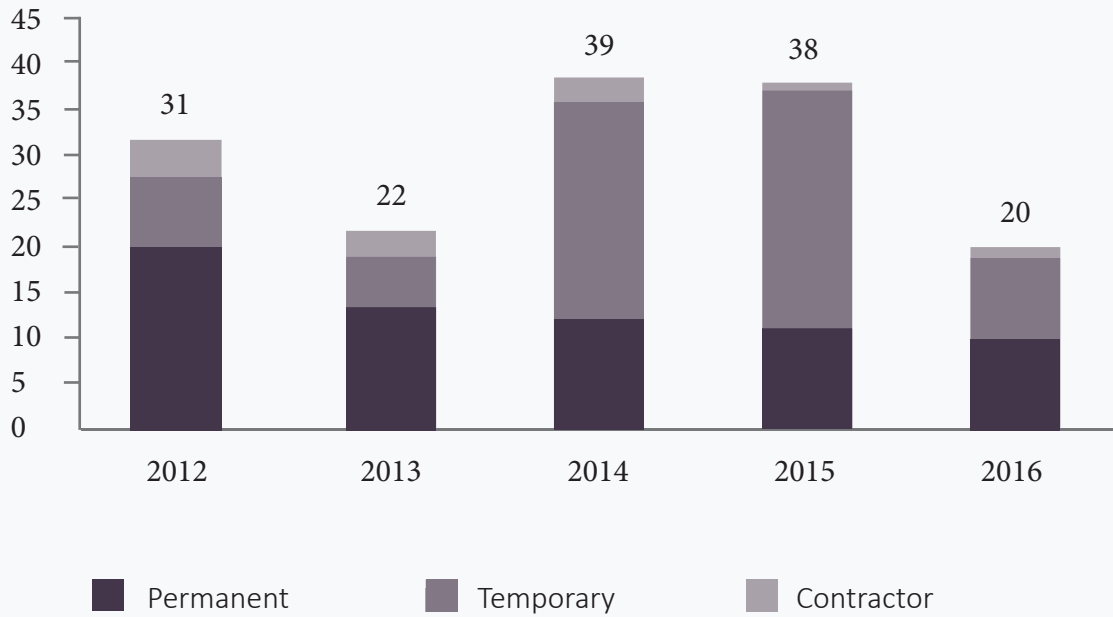
Our human capital is both one of our most valuable assets and our single largest operating cost. Achieving a balance between the skills necessary to effectively implement our projects while managing costs represents a critical challenge in ensuring financial sustainability, project execution and strategic positioning.

Human capital is managed by the Human Resources (HR) department according to our HR policies and established practices.

There was a focus during 2016 on performance management arising from the organisational goals set in the NBI Score Card to align individual and team performance in the short term with where the organisation needs to go in the medium term. Performance reviews take place every six months and progress against plan is assessed every quarter. Performance management training was conducted and augmented by supervisory training.

Headcount decreased to 20 at year end with the conclusion of the PSEE project during calendar 2015 (2015: headcount 38). Staff turnover increased to 47% (2015: 7%) as a result of the decrease in headcount as well as the retrenchment of three staff members during the restructuring. Staff costs decreased 9% year on year, falling to 58% of total revenue earned (2015: 73%).

Headcount

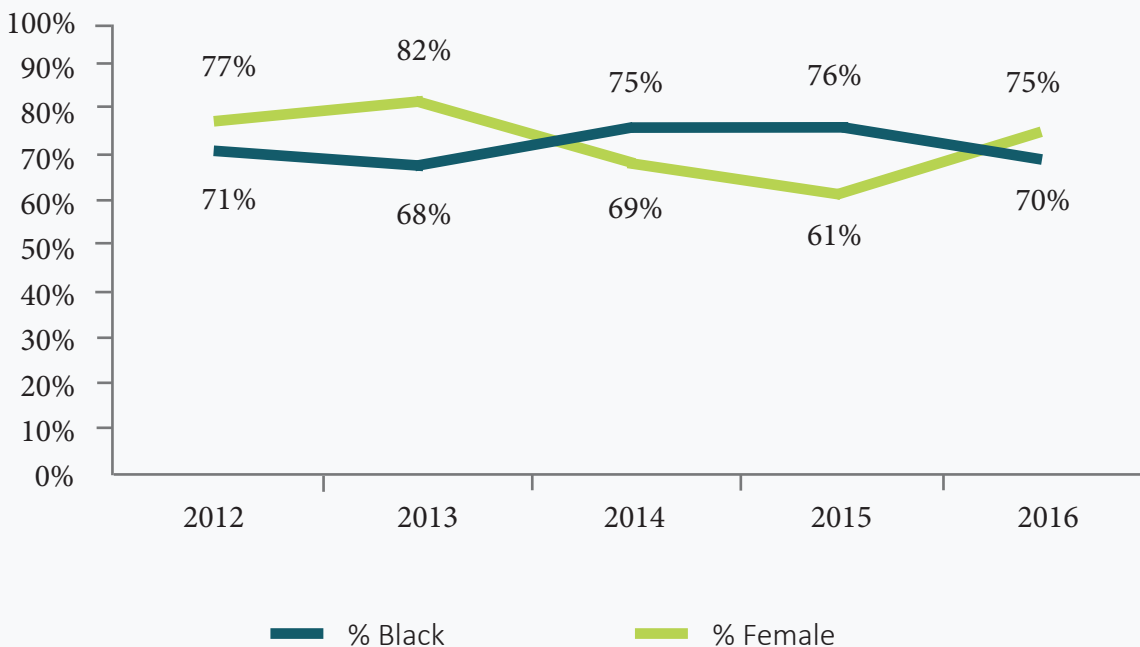


Representation of historically disadvantaged South Africans (HDSAs) is a priority for the NBI and transformation and employment equity are important considerations in our hiring processes, succession planning and other HR activities. The NBI’s employment equity report and plan were submitted to the Department of Labour in January 2016.

Improving our employment equity performance will require a focus on increasing representation of black African staff members and people with disabilities. This has been complicated by the recruitment freeze during the section 189 process, but will be a focus in any future areas of expansion and when contracting staff for project work.

Historically disadvantaged South Africans comprise 76% of our workforce (2015: 76%) and women 61% (2015: 61%).

Staff breakdown by Race and Gender



The NBI has the required health and safety policies and procedures in place that aim to ensure the safety, health and wellness of our employees, aligned with regulatory requirements. There were no work-related injuries during the year that resulted in lost workdays (2015: none). While HIV/Aids has a significant impact on individuals and communities in South Africa, we do not believe it poses a direct threat to the long-term sustainability of the NBI.

Human Capital Challenges and Opportunities

Attract, retain and develop the organisation's human capital is a key strategic consideration. While the restructuring and concerns around the financial sustainability of the organisation affected staff morale, this is now improving and systems have been put in place where staff can voice their opinions. The restructuring has also seen increased trust, cohesion and increased clarity regarding responsibility for the areas of work.

Retention is particularly important as it relates to key staff and this has been identified as a key risk for the organisation. Information management and systems are being reviewed to ensure that these embed institutional memory to manage this risk. Succession and career planning are important concerns that are complicated by the small size of the organisation, flat management structure and the restructuring during the year.

Skills development is a critical aspect of human capital development and retention. In the context of the restructuring and cost management, training during the year focused mainly on developing generic skills in the organisation through group training using internal capacity to address skills gaps. Trainings included project management, fund-raising proposal development, supervisory training, finance for non-financial managers, further training on the CRM system and social media. Three staff were supported in further studies through study grants or loans.

The broadening of the leadership team and the monthly strategic engagement sessions help to expose a wider range of senior employees to broader conversations and strategic perspectives, fostering leadership development and supporting succession planning.

PROGRESS ON 2016 GOALS

1. Living the new values in teams and across the organisation.
The values and behaviours have been communicated to staff and integrated into performance assessments.
2. Successful completion of the PSEE project through the retention of the key skills.
The PSEE project was successfully completed in November 2015.
3. Review training and development goals for staff.
Training and development goals are reviewed annually during performance reviews.
4. Review of training and development requirements for managers.
Training and development requirements are reviewed annually during performance reviews.
5. Refresher CRM training for staff.
Achieved.
6. Review staff resourcing and capacity of the organisation.
Ongoing.
7. Provide further internal training, identify development goals for staff and plan accordingly.
Completed and additional training to be reviewed.
8. Complete the review of all policies.
Completed.
9. Ensure that the Delegations of Authority continues to be complied with.
Ongoing.

10. Continue to manage contracts against the contract management system.
Ongoing.
11. Continue to adhere to the procurement guidelines.
Ongoing.

GOALS FOR 2017

1. Improve the results of the staff culture survey.
2. Establish a workplace skills plan.
3. Ensure that all staff have a personal development plan.
4. Provide internal training to all staff.
5. Build the capacity of staff to assume more senior positions through internal and external training programmes.

TRANSFORMATION

Social transformation is one of the NBI's key strategic objectives and the principles of transformation promote the NBI's vision of creating and supporting a sustainable, equitable and thriving society. It is therefore imperative that we demonstrate our commitment to transformation within our organisation. Transformation is also an important consideration as we develop social and relationship capital in our relationships with business, government and communities, and to remain relevant to our members and other stakeholders.

We measure our transformation progress against the Department of Trade and Industry Codes of Good Practice (dti CoGP). The NBI is an externally verified Level 1 value-adding B-BBEE contributor with a recognition level of 135%. We are a qualifying small enterprise and are measured across the management, employment equity, preferential procurement and socio-economic development categories. We are certified 100% black beneficiaries in terms of socio-economic development (SED).

The NBI's employment equity plan informs our HR policies, hiring procedures and succession planning to drive increased representation from historically disadvantaged groups. Improving representation is challenging due to the premium in salaries for equivalent positions in government and corporates, and was not possible during the restructuring period and section 189 process.

TRANSFORMATION	TARGET	2011	2012	2013/14	2015/16
Certificate valid to:		16/02/12	23/01/13	24/02/15	16/07/16
Assurance provider		Empowerdex	EVS	EVS	EVS
Ownership		N/A	N/A	N/A	N/A
Management	25	25	22.53	Not assessed	26.95
Employment equity	25	25	25	24.92	25
Skills development		N/A	N/A	N/A	N/A
Preferential procurement	25	25	25	25	24.3
Enterprise development		N/A	N/A	N/A	N/A
Socio-economic development	25	25	25	25	25
Total score	100	100	97.53	74.92	101.25
Level		One	Two	Four	One

PROGRESS ON 2016 GOALS

1. Maintain the organisation's strong B-BBEE rating under the new dti codes. *Achieved.*
2. Improve EE representation among employees and management.
Improving EE representation was not possible during the current year due to the restructuring and section 189 process.
3. EE report to be completed in January 2016.
Achieved.

GOALS FOR 2017

1. Ensure strict compliance with the EE policy and EE targets.

NATURAL CAPITAL

Environmental sustainability is one of the NBI's core work streams and an area of expertise for the organisation. Managing the organisation's impact on the natural environment in a responsible way is a critical aspect of ensuring sustainability. While our direct environmental impact is small due to the size and nature of the NBI, we recognise our responsibility to reduce these impacts wherever possible.

The NBI has a far bigger positive impact through our environmental projects and initiatives that facilitate responsible environmental stewardship. These are discussed in the section starting on page 34 of this report.

There are a range of awareness initiatives in place at our offices that highlight the importance of reducing consumption of resources such as electricity, water and paper. Our ability to directly influence our electricity and water consumption is limited as our usage is allocated by the landlord according to the office space we use. Where possible we recycle to reduce office waste.

We have been voluntarily submitting CDP (formerly the Carbon Disclosure Project) reports since 2013 to monitor our progress on measuring and reporting our carbon emissions and the actions we are taking to reduce emissions. However, due to capacity constraints and the restructuring, we did not submit a CDP response for the 2016 year.

Purchased electricity accounts for the majority of our carbon emissions and we estimate that roughly half of the electricity we consume is used in heating, ventilation and air conditioning. Lighting accounts for around a third of our electricity use and the remainder is used by office equipment, refrigeration and water heating, managed by the landlord.

PROGRESS ON 2016 GOALS

32

1. Given that our carbon emissions are immaterial and we have already significantly reduced emissions, we anticipate that our emissions will plateau and remain relatively constant for 2016.
Due to capacity constraints, we did not track our electricity and water consumption, or calculate our carbon footprint in 2016.

2. In 2016 we aim to explore opportunities for high quality teleconferencing which will enable us to reduce our air travel.
Local travel increased by 3.5%, while international travel was greatly reduced due to a focus on cost containment, falling 76.6% year on year.
3. We intend to continue with identifying energy efficiency opportunities and to explore ways to further reduce consumption through the installation of motion sensor lighting.
Ongoing. Motion sensor lighting was not installed as this relied on the landlord's discretion.

Core Workstream Review

ENVIRONMENTAL SUSTAINABILITY

SOCIAL SUSTAINABILITY

INTEGRATING STRATEGIC PROJECTS

The **value** the NBI creates for members through its work is directed across three focus areas:

- **Environmental Sustainability**
- **Social Sustainability**
- **Integrating Strategic Projects**

ENVIRONMENTAL SUSTAINABILITY

1

Environmental sustainability work streams and projects

Water	Climate Change	Energy	Offsets, Biodiversity and Waste
<ul style="list-style-type: none"> ● CDP water ● Water stewardship ● Public-private partnerships in water ● The CEO Water Mandate ● Water pricing 	<ul style="list-style-type: none"> ● Carbon pricing ● CDP Climate Change ● GHG accounting ● Adaptation case studies ● We Mean Business 	<ul style="list-style-type: none"> ● Energy Efficiency Leadership Network (EELN) ● Private Sector Energy Efficiency programme (PSEE) 	<ul style="list-style-type: none"> ● National industrial symbiosis support

Integrating strategic projects

- Green Economy Finance
- National Development Plan Business Action Plan
- Socio-Economic Scenarios and Energy Pathways
- Reimagining Africa
- Sustainable Development Goals (SDGs)

South African companies operate in a challenging global economic context that requires companies to run lean operations and this often leads to a focus on short-term financial concerns. This narrow focus can have negative consequences if it neglects the company's impacts on the environment, particularly in the context of increasing risk in relation to climate change, water, waste, biodiversity and land use. Low trust levels exacerbate the situation, inhibiting the collaboration required to formulate and implement effective solutions.

Our work aims to revive the emphasis on environmental stewardship as a strategic priority for business by emphasising the link between the economy, environment and society, and reiterating that the environment is a strategic issue underpinning the need for large scale economic transformation.



The NBI implements a suite of environmental projects that create awareness and introduce the skills necessary for business to take meaningful, transformative action when managing natural resources and natural capital. We provide research, capacity building, networking and support to our members with the ultimate goal of facilitating multiple stakeholders working together on strategic projects that support economic and social transformation.

Our approach focuses on the economic impacts of environmental issues and has led us to look at broader overarching projects. These included strategic projects on Green Economy Finance, South Africa's National Development Plan (NDP) and Socio-Economic, Political and Energy Scenarios.

Each of these projects included a robust multi-stakeholder process that helped to identify areas where collective action could make a significant difference in transforming our economy and our society. The challenge for the unit in the next period is to convert the strong work we have done on strategic thought leadership and capacity building into collective action projects.

The involvement of our member companies is fundamental to our success and this work is informed and overseen by the Advisory Council on Environment and Society (ACES), which meets regularly in Johannesburg and Cape Town.

PROGRESS ON GOALS FOR 2016 – ENVIRONMENTAL SUSTAINABILITY

1. We will continue to focus on delivering on the NBI's strategic goals. Co-ordinating our members to join a conversation on economic transition (to an economy that meets the needs of both our people and the environment) and highlighting their existing positive contribution will form the basis of our work.

We will be working to ensure closer alignment with the other work areas within the NBI to acknowledge the linkages between environmental, social and governance issues. Core to this will be work we do on the business role in implementing the National Development Plan. A key goal for 2015 is to expand the Thought Leadership Series to include all of NBI's programmes.

We will complete the current phase of the green economy work and integrate this work into international and regional platforms. We will also gather input from each of the participating stakeholder groups as to where they believe we should be investing to scale up a transition to a green economy. Our initial goal is to support the work the World Business Council for Sustainable Development (WBCSD) is doing on their Low Carbon Technology Partnership initiative (LCTPi) programme. We will be presenting our results at both local and international conferences. Fundamental to our future green economy work will be continuing to engage with stakeholders on unlocking investment opportunities leading to balanced economic growth.

We hope our work on CDP Water and finalising our water pricing paper will provoke a more sophisticated conversation on water and higher response rates to the CDP Water programme.

We will be shifting how we present CDP data to be more visual in the hope that this will highlight the significant contribution of South African companies to climate mitigation and also encourage further debate and ambition. Ultimately we hope to make the data and the CDP results more accessible. We will use the multi-year database we will be building to develop research programmes that will be led by partner universities.

All of our above work in conjunction with several discussions built around the Reimagining Africa report will contribute to an intimate member conversation around economic transition.

We delivered on eight projects during 2016, each with major reports, produced 16 infographics with Twitter cards and held 13 Thought Leadership Sessions. We also hosted over 50 events and workshops, several policy awareness sessions, Greenhouse Gas Accounting Training, and launched the NDP business action plan in Durban, Cape Town and Johannesburg. We also hosted two full day sessions on the carbon tax in partnership with Sasol. We held a climate technology solutions dialogue/workshop for the WBCSD's LCTPi programme in September 2015. The response rate to the CDP Water programme remained largely unchanged at 56%. We then produced summary reports for CDP data supported by useful infographics summarising the key points of the programmes to increase accessibility.

2. We have formulated a partnership with member company Promethium Carbon and will advance our support to our members on policy by, with Promethium's support, issuing briefings on key policy issues. We will still include key policy and technical issues in our Thought Leadership Series programme.

We will continue our support for 'We Mean Business' (WMB) and encourage member companies to sign up for the 'We Mean Business' commitments. We will also drive a conversation around economic transition through a monthly newsletter that will include comments from prominent member company CEOs. We will provide input to 'We Mean Business' conversations at both the Climate Week in New York and COP21 in Paris, continuing this activity after COP21 to ensure that outcomes are well understood by our members and incorporated in our conversations about the need for economic transition.

We will still run our Green House Gas (GHG) training workshops but will scale these down to one workshop in each of the main centres: Johannesburg, Cape Town and Durban.

A number of briefings and workshops were held during the year. We actively supported the 'We Mean Business' initiative and raised the NBI's profile through our participation and involvement in Climate Week and COP21. GHG training workshops were held in May 2016.

3. Our unit will continue to offer support to government in technical working groups. We will sustain our 'Quiet Conversations' programme and expand it to include more specific conversations on water, waste, and climate mitigation.

Ongoing.

4. In line with our broader NBI strategy we will focus on bringing stakeholders together to take concrete action and scale up investment. This will take place in water, industrial symbiosis and climate change (through our energy programme) issues and will incorporate our learning on green economy and finance.

Within our water focus area, we are concentrating our efforts on helping members to understand the benefits and limitations of the various water tools available in the market, finalising our research on the future of water pricing, as well as building up our water stewardship programme in collaboration with a number of partners, including the WBCSD.

A key focus area is to enhance our use of business language and understanding of business risk through running a member-driven risk process using methodologies similar to those developed by the WEF to produce their Global Risk Report. These outputs should strengthen our conversations on economic transition and identify clear areas where business needs to take collective action.

Our progress in these areas is discussed in more detail in the sections that follow.

GOALS FOR 2017 – ENVIRONMENTAL SUSTAINABILITY

1. Develop a set of socio-economic scenarios that will enable us to evolve a shared understanding of economic transition and social transformation.
2. Develop a set of energy pathways for South Africa and investigate the potential role of gas.
3. Deliver existing climate change, water and green economy unit commitments (CDP, Water Stewardship, WMB).
4. Host one collective action programme on energy.
5. Host one collective action programme on water.

Water is an environmental, social and economic issue that directly affects the competitiveness of our economy, individual companies and the wellbeing of communities. South African companies through their responses to the CDP Water programme rightly identify water (quality and supply) as an immediate and severe risk that, while exacerbated by climate change, represents a risk in its own right.

Water is both an operational risk and an urgent strategic challenge through water infrastructure maintenance and water pricing. It also has a direct link to human rights and, as water becomes scarcer, communities will have a constitutional right to access water before business. Communities are already under significant financial pressure and this will increase as rising water prices are passed through to food prices. Water issues will impact a range of social issues such as labour productivity, unrest and the ability for consumers to engage in the market.

Our water programme aims to improve the understanding of the strategic complexity of water, provide clarity on terminology and tools for improving water management, including simple and practical first steps. This will create a platform for sharing of companies' activity around water and establish collective action projects with members that have a meaningful impact on water stewardship in the country.

KEY PROJECTS

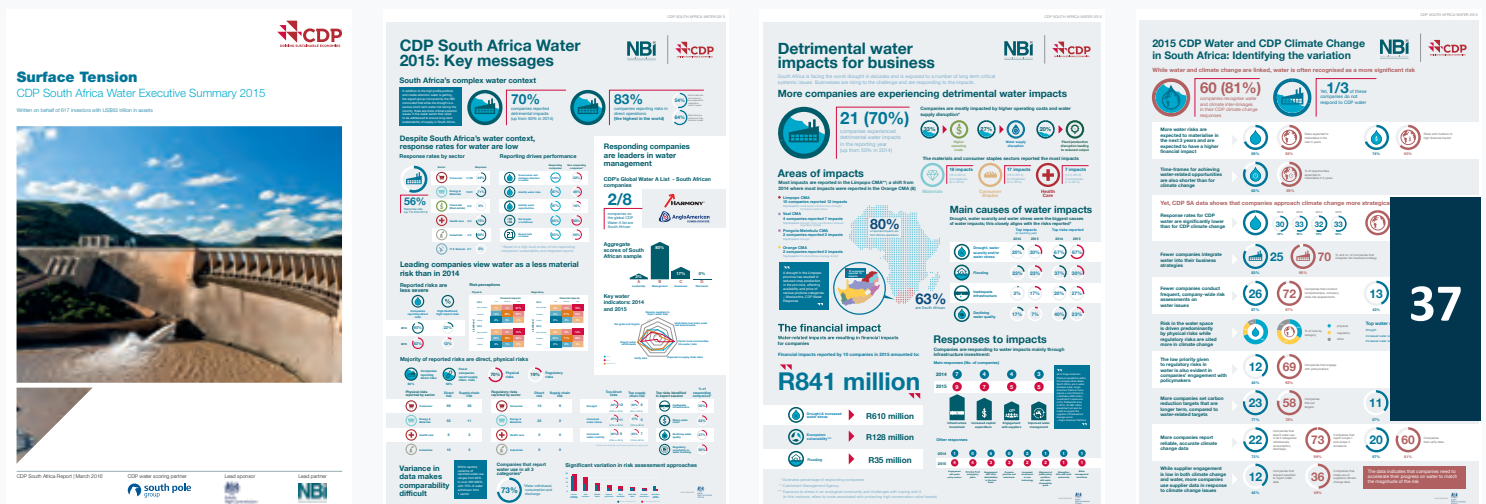
CDP Water

Since 2010, the NBI has partnered with the CDP to distribute and analyse the CDP Water information request. The 2015 report was drawn from the responses to questionnaires sent to 59 of the 100 largest companies on the Johannesburg Stock Exchange that have the greatest potential to impact on, or be impacted by, water resources.

2015 was the first year in which the CDP water responses were scored, although the scores were not made public. The responses by South African companies indicated the relevance of water risk to business and society, reporting the highest exposure to water-related risks in the global sample (83% of respondents). More than half of these risks are expected to manifest within the next three years and two thirds of those risks will have a financial impact of medium to high. 70% of responding companies experienced detrimental water impacts in the reporting year (2015), which was also the highest response in the global database. Two companies in South Africa, Harmony Gold and Kumba Iron Ore were recognised as among the top eight companies internationally and were listed on to the CDP Global A list for water management in 2015

It is clear from consistent responders that companies that investigate water risk tend to invest significant capital and effort into integrating water into governance structures, strategy and risk management and mitigation processes. We therefore believe that reporting is a critical first step in water stewardship, demonstrating the value of joining the CDP Water program.

The NBI website (www.nbi.org.za) provides access to an executive summary of the 2015 CDP Water Report as well as to infographics that visually communicate the core messages.



South Africa faces a number of critical systemic water issues that need to be addressed to ensure long-term sustainability of supply in South Africa, including:

- Municipal water supply challenges (driven by infrastructure and institutional capacity issues);
- Water cost increases, in part in response to poor asset management and inadequate revenue collection, but also to address future infrastructure needs;
- The need for integrated and long-term strategic planning of human settlements, water resource management and water services;
- Declining water quality (with a resultant increase in the need for dilution and associated higher treatment costs);
- Potential regulatory incoherence in water licencing; and
- Complex water institutions with potentially conflicting objectives.

The nature of these systemic issues means that many of the key water risks facing companies cannot be adequately addressed at an operational level.

The concept of water stewardship supports partnerships between groups of companies that drive collaborative work which increases the impact on water security, thereby mitigating corporate water risk and facilitating business growth.

The NBI runs workshops, seminars and events focused on water stewardship, with an emphasis on building understanding of water stewardship approaches and best practices. We have also begun to actively work to facilitate new collective action projects (working with support from the GIZ) on water in South Africa, as well as forming a partnership with the CEO Water Mandate to advance water stewardship practice across Southern Africa.



Our work in the NBI's green economy project and business action on the National Development Plan have consistently highlighted strong concerns about the quality of wastewater treatment works among businesses and wider stakeholders in South Africa.

Addressing these concerns will require collaboration by a set of priority partners that includes the private sector, all spheres of government and key civil society organisations to ensure that the country has well-functioning wastewater facilities staffed by competent managers and technicians.

'Partnering with municipalities to address wastewater treatment' is one of the priority actions in the NBI's NDP Business Action Plan. The key objectives are to find solutions to raise finance, support procurement, share best practices, facilitate skills development and skills transfer, and to develop and pilot a replicable packaged solution that enables municipalities to develop or upgrade wastewater treatment facilities in a manner that is financially and institutionally sustainable.

THE CEO WATER MANDATE

The CEO Water Mandate was formed in 2007 to assist companies to address global water challenges and is recognised as a leader in developing the concept of corporate water stewardship and socialising it with a growing group of companies.

During 2016, the NBI formed a partnership with the CEO Water Mandate to support corporate action on water in Southern Africa.

The objectives of the partnership are to assist South African-based companies in undertaking better water practices, help drive and facilitate collective action on water, and to showcase good stewardship practices. The CEO Water Mandate also offers access to various tools to support companies, including the Water Stewardship Toolbox (www.ceowatermandate.org/toolbox) and Water Action Hub (www.wateractionhub.org).



WATER PRICING

The Department of Water and Sanitation estimates that R700 billion will be needed over the next decade to support effective water management in the country, of which only 45% is currently budgeted for by government. The shortfall is likely to be collected from tariff increases. Further pressure on water tariffs comes from rising electricity costs and related costs for water pumping, increased treatment costs and revenue collection gaps arising from poor municipal billing systems, significant water leakage and high levels of non-revenue (free) water.

The NBI is undertaking research that considers the different cost drivers across the water value chain, and assesses how these drivers could impact on South African companies in the short and medium term. The study aims to identify where investment in the water sector will be needed and the extent to which the raising of water tariffs will solve South Africa's pressing water challenges.



CLIMATE

Southern Africa is extremely vulnerable to the potential impacts of climate change and companies operating in the region are likely to experience significant increases in temperatures, increased variability in rainfall and vulnerability to extreme weather events. The diverse impacts these changes will have on business and society present both risk and opportunity.

Mitigating the risks inherent in climate change requires going beyond reducing carbon emissions to developing an understanding of the degree of adaption required and the timeframe available for developing response measures. Some of these impacts appear imminent and business should be addressing these in their current plans and strategies. This will affect design and investment criteria, pushing companies to adapt their business models and design their organisations to be more responsive to variability and change.

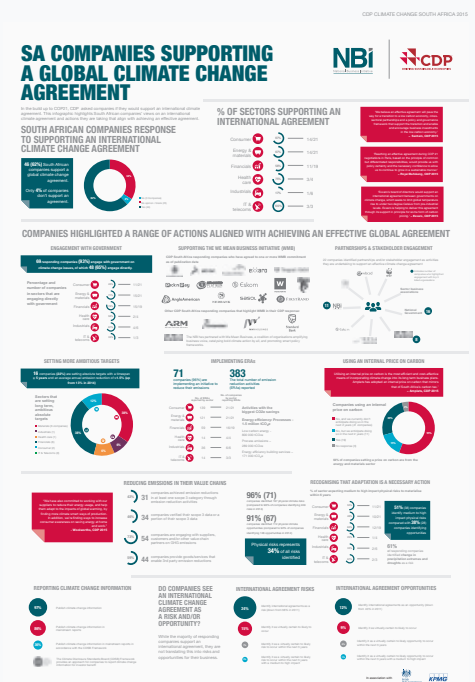
The NBI has a package of projects and partnerships to help member companies understand the nature of the challenge, build their capacity to respond and ultimately to work collectively with government to develop solutions to climate change and emissions mitigation in South Africa.

In September 2015, the NBI hosted a climate technology solutions dialogue/workshop on the World Business Council for Sustainable Development's Low Carbon Technology Programme Initiative Solutions. The workshop looked at technologies and solutions that may be of key relevance to South Africa.

In the build up to COP 21 in December 2015, the NBI researched and developed an infographic analysing South African companies' views on an international climate agreement.

“Under Minister Molewa’s guidance, South Africa’s response to the global climate change challenge has been prepared, and work with the National Business Initiative on the green economy has been strengthened.”

– Pravin Gordhan, South African Minister of Finance, Budget Speech February 2016



KEY PROJECTS

CDP Climate

CDP is an international independent not-for-profit organisation that involves 822 institutional investors with US\$95 trillion of assets under management. It is a mobilising framework that seeks information on the business risks and opportunities presented by climate change, greenhouse gas emissions data and water. The CDP has been instrumental in pushing climate change into mainstream business thinking and remains the global standard for measurement and reporting of climate change information as well as the biggest repository of greenhouse gas emission information from the business sector. The NBI has been the local partner to the CDP since 2007 and requests information on climate change risks, opportunities and integration from JSE 100 companies. CDP Climate helps companies to manage their carbon emissions and protect themselves from climate risks as well as helping investors to understand the climate change risks associated with their portfolios.

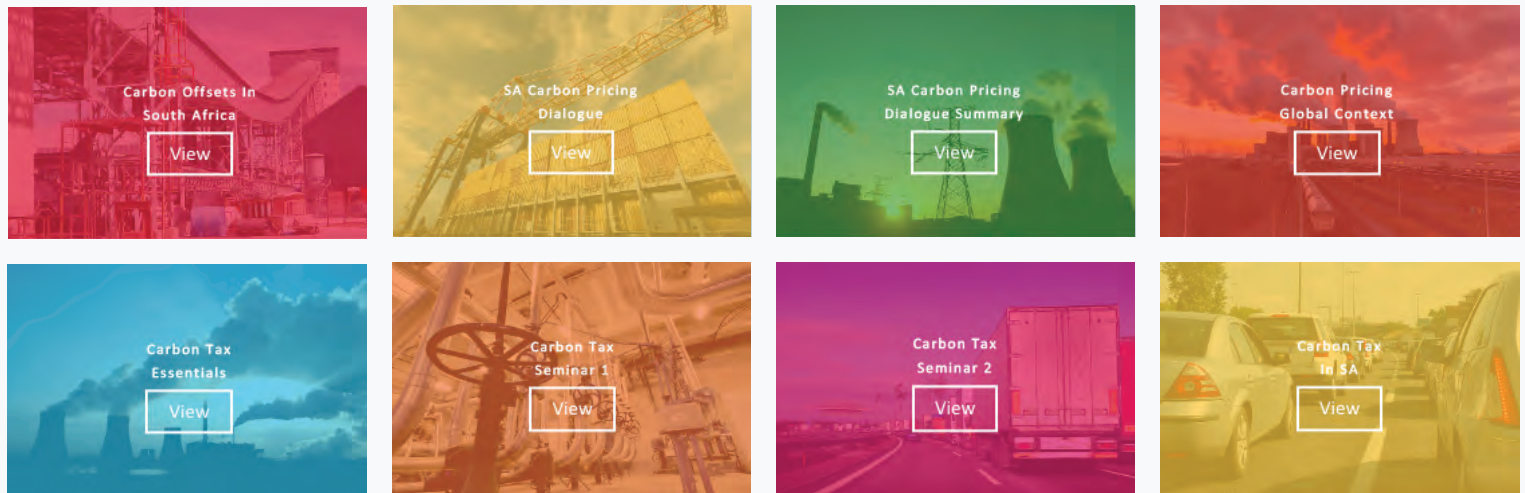
CDP response rates declined marginally to 79% in 2015 (2014: 80%) and for the first time, scoring was completed by FirstCarbon Solutions, CDP's global scoring partner, with additional analytical support provided by EnigMatrix. The median disclosure score was 96, up from 90 in 2014, reflecting the high levels of disclosure among local participants. The 2015 CDP Climate Change Report and infographics were released in November 2015 and provided an analysis of performance and trends since 2007.



CARBON PRICING

Since 2010, the NBI has hosted knowledge-sharing sessions to support business engagement with carbon pricing. These sessions have included partners such as National Treasury, the World Bank and the Carbon Pricing Leadership Coalition. The aim of the sessions was to improve understanding of the potential short- and long-term impacts of Carbon Tax on South African companies, and to provide a platform for engagement with government so that carbon pricing is implemented in a manner that allows effective management of the transition to a low carbon economy.

During 2016, the NBI held two members-only thought leadership events, a Business and Carbon Pricing Dialogue and two Public Carbon Tax Seminars.



ENERGY

Energy has a significant role to play in economic and social transition in South Africa, and has an obvious impact on the country's environment. Given recent energy supply constraints, the efficiency with which energy is used (energy productivity and energy efficiency) is a critical input for business continuity and growth.

The NBI has a long history of partnering with government on energy and energy efficiency through programmes such as the Energy Efficiency Leadership Network (EELN) and the Private Sector Energy Efficiency Programme (PSEE). Several of NBI's projects also have an energy efficiency and energy component, including the Sustainable Development Goal (SDG) analysis, the National Development Plan (NDP) work, and our work on the Green Economy.

Our energy work also aligns well with our climate change work and the work we are doing with the global coalition We Mean Business, which aims to align business commitment around renewable energy, energy efficiency and productivity.

During the year, the NBI was approached to run a consultative/dialogue process within business to explore energy futures from a long-term perspective.

A challenge for the organisation that was highlighted in our membership survey is to ensure that we have projects that focus beyond energy efficiency to cover the broader scope of energy issues in South Africa.

KEY PROJECTS

The Energy Efficiency Leadership Network (EELN)

The NBI acts as secretariat for the EELN, which is a partnership of more than 50 businesses, government departments/agencies and business associations that was started in 2005 with the signing of the Energy Efficiency (Green) Accord. Activities within the EELN aim to upskill members on shared energy efficiency experiences and keep them updated with legislative changes, the latest technology and market developments.

The network provides a platform for government, business and other key stakeholders to speak openly about energy efficiency, energy strategy and policy implementation. Since inception, the EELN has been an important partner to help government implement the National Energy Efficiency Strategy (NEES), building on long-standing relationships with the Department of Energy (DoE) and strengthening engagements with other government departments.

Collectively the EELN companies account for more than a quarter of South Africa's thermal and electrical energy consumption, and in 2011 these companies signed a pledge committing themselves to continuous improvements in energy efficiency under the auspice of the EELN.

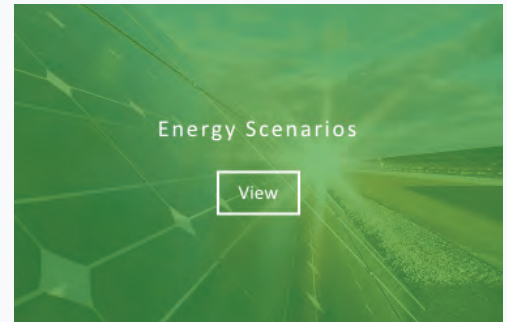
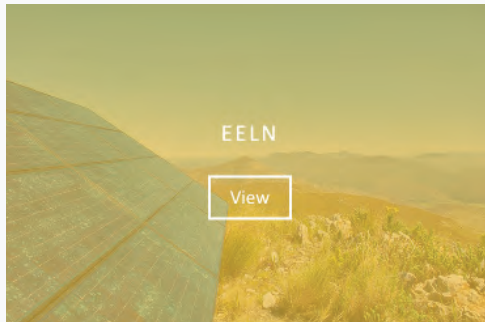
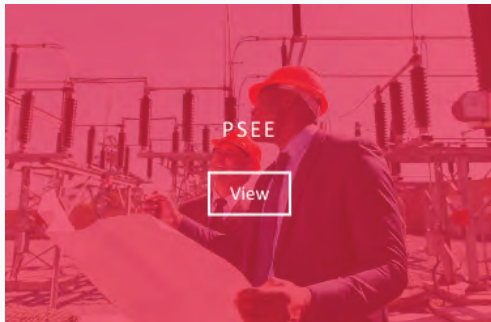
Energy Efficiency Leadership Network Signatories



PROGRESS ON GOALS FOR 2016 - EELN

1. The restructuring of the Energy Unit during the year directly impacted the team working on the EELN and the goals set in 2016 were put on hold as the organisation reviewed its strategy around energy. A survey of the EELN signatories was held to ascertain their interests and requirements and was followed by a strategic session to define the initiative's direction. The outcomes of the strategy workshop have been built into the business plan for the broader energy programme going forward.

For more information on the EELN, please visit www.nbi.org.za

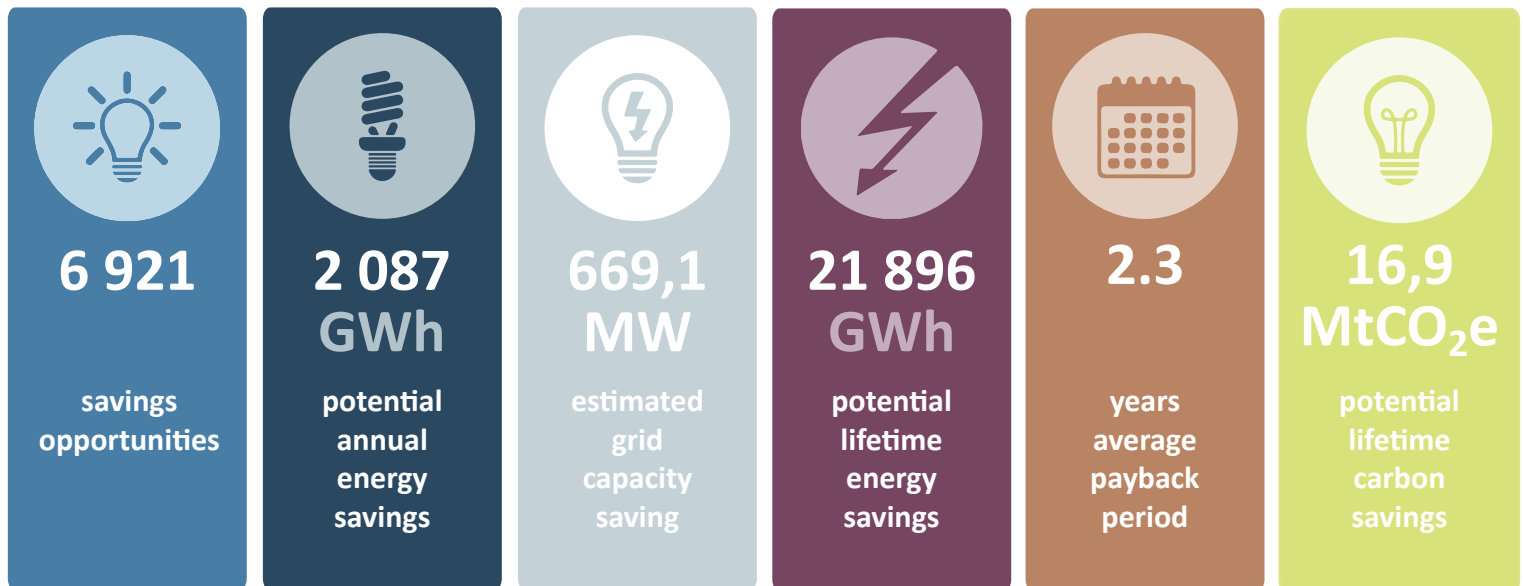


THE PRIVATE SECTOR ENERGY EFFICIENCY PROGRAMME (PSEE)

Launched in December 2013 with funding from the UK Department of International Development (DFID) and support from the national Department of Energy as well as the Carbon Trust, the PSEE concluded its activities on 30 November 2015. The PSEE was established as an implementation arm that offered subsidised assistance for SMEs and large businesses to help organisations identify potential energy savings via energy audits. The project also assisted large companies to design and implement their own energy efficiency initiatives, policies, objectives and strategic alignment activities.

The PSEE in numbers

Potential savings identified at 1 103 sites:

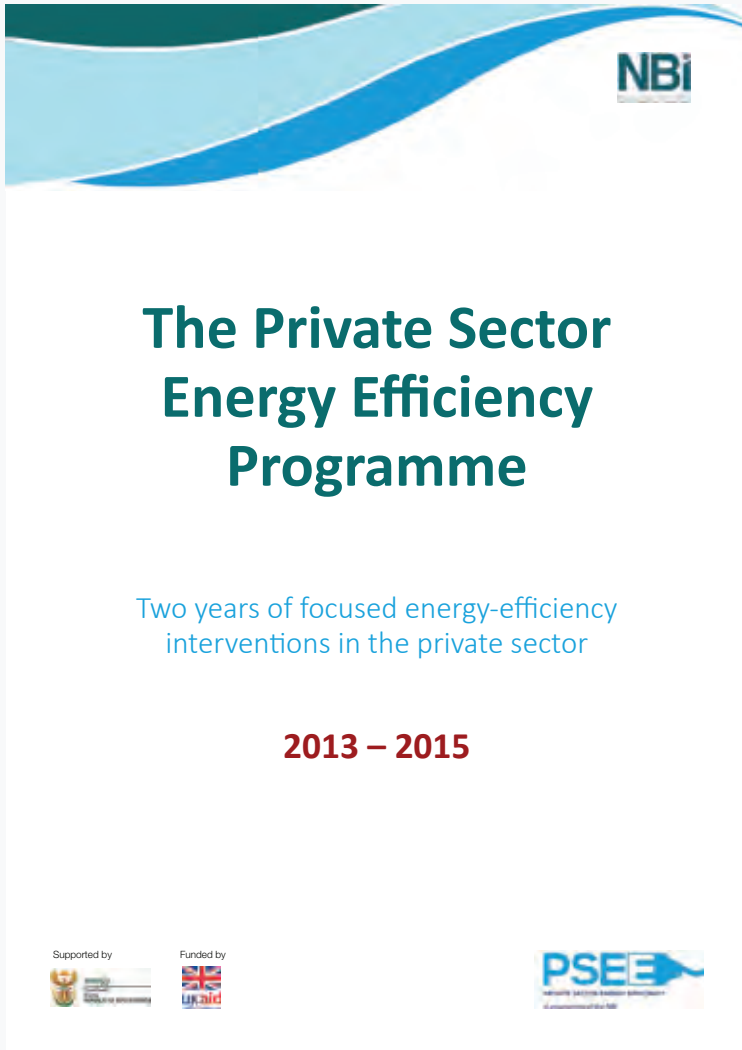


Over the two years of its existence it identified close to 6 000 energy saving opportunities with the potential to make a significant difference to the energy demand in South Africa through its work with more than 3 500 small, 900+ medium and 37 large companies. We continue to explore funding options to work with government to continue to provide the services of the PSEE.

Overall Output Indicators	Programme target	Actuals achieved	Comments
Output Indicators			
Number of companies registered on the PSEE website, and number of companies receiving advice over the phone	2 000	2 732	target exceeded
Number of participants at workshops reported by gender and race	933	1 999	target exceeded
Number on-site surveys implemented at sites of medium-sized firms	765	988	target exceeded
Number of follow-up services that have been provided	275	178	target partially met
Number of large companies (annual energy spend in excess of R45 million) engaged in strategic energy-management interventions	35	37	target exceeded

At the conclusion of the programme, four out of five of the targets set had been exceeded, with 100 trained and experienced consultants, more than 30 technical sector best practice publications and a database of nearly 6 000 energy efficiency recommendations. A 'key learnings' strategy session was held in October 2015, which was well attended.

The aggregated data from the PSEE was also shared with government to support their drafting and implementation of the Energy Efficiency Strategy.





OFFSETS, BIODIVERSITY AND WASTE

Offsets

Environmental offsets are an important financial mechanism to create least cost impact reduction while maintaining maximum economic growth potential. Offsets apply across a range of environmental commodities and the South African government is currently considering offsets across carbon (potentially aligned to Desired Emissions Reduction Outcomes and the Carbon Tax), air quality, water and biodiversity.

The NBI contributes to an Environmental Offsetting Reference Group and we currently chair the Eskom Multi-Stakeholder Reference Group for their Air Quality Offset Pilot. We have attended public consultations on Carbon Offsetting and use the knowledge gained to support Business Unity South Africa (BUSA) in their submissions on offsetting to the National Government.

Biodiversity

Biodiversity is fundamentally important to healthy ecosystems and the environment as a whole. While the NBI does not currently have sufficient resources to actively engage in biodiversity projects, our member companies have marked this area out for future expansion. We therefore continue to monitor developments in biodiversity with keen interest and engage with a number of government consultation processes on biodiversity, ecosystem based adaptation and adaptation finance.

The NBI integrates biodiversity thinking into all our other programmes, in particular green economy finance and adaptation. We support biodiversity indirectly by sitting on the steering groups of the National Business and Biodiversity Network, managed by the Endangered Wildlife Trust (EWT). It is also a topic within our broader Offsets.

Waste

Waste is a focus area among our members, particularly given recent changes to South Africa's waste legislation and we have started to focus more explicitly on Waste as a work area although this remains at a very early stage. The greatest opportunity for waste management lies in voluntary actions around waste, in particular the opportunity to implement new business models. These are typified by the movements towards industrial symbiosis and the circular economy in which businesses consider waste streams from one company as input streams into their process. This limits waste to landfill and other disposal methods while creating employment opportunities. The NBI sits on the steering committee for the National Industrial Symbiosis Programme and we plan to work with the National Cleaner Production Centre to bring these concepts to our member companies.

Social sustainability work streams and projects

Skills development	UNGC
<ul style="list-style-type: none"> • Construction Industry Partnership Programme • TVET Colleges and Green Skills • Tourism and Hospitality Lecturer Placement • Skilled Youth Programme (under development) 	<ul style="list-style-type: none"> • Anti-corruption and Integrity Pacts • Business impact on Human Rights (including Child Rights)

Business in South Africa faces intensifying social and governance risks, and increasing pressure to ensure a proactive response to transformation, governance and ethical concerns. These challenges include unemployment, inequality, labour instability, corruption, the slow pace of transformation in business, racism and sexism, xenophobia, inadequate skills and government incapacity.

The NBI's social programme aims to support business to anticipate and manage these risks and challenges so that they can be addressed proactively, rather than when they reach a crisis point. The work in this programme centres on the work currently being done on skills development and on governance through the UNGC. The knowledge and experience gained in these areas will be used to build a social programme that can engage with the wider set of social and economic challenges faced by our society. We will engage with members directly and through the Thought Leadership platforms to develop activities and programmes that address the key social questions facing the country.

Two CEO Leadership Roundtable for Sustainability events were held during the year, a series of human rights and anti-corruption trainings and dialogues, a survey and subsequent toolkit/roadmap to support the establishment of Social and Ethics Committees, and the launch of several cases studies.

While much of the work in the social programme is of a very practical nature, our intention is to expand the programme to consider the broader relationship between business and the rest of society so that issues of inclusivity and shared values are approached in a more direct and constructive way.

PROGRESS AGAINST 2016 GOALS

1. Raise project funding for 2016 to upscale initiatives.

The unit submitted funding proposals to various possible funders. Funding was secured from Nedbank and the National Skills Fund which will scale up the Workplace-based Learning (WBL) programme in solar water heating, construction and tourism and hospitality. The unit also secured funding for a survey on developing WBL guideline for employers. The guidelines will inform the design of the CEO Initiative's YES Campaign which is an ambitious business-led initiative aimed at placing one million youth in workplaces over three years. Greater effort will go into raising project funding in the next financial year.

2. Develop two case studies to profile members' initiatives in skills development.

Two NBI member companies have expressed an interest in providing case studies of best practice in skills development. These will form part of a Thought Leadership Series which promotes learning by sharing and generates new knowledge.

GOALS FOR 2017

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1. Use the UNGC stakeholder and NBI member platforms to conduct robust research to identify areas of shared risk and opportunity in our social sustainability work area.
2. Develop an approach for targeted scalable interventions to enhance youth employability.
3. Tap into member companies' expertise to build the capacity of two TVET Colleges to deliver industry aligned programmes.
4. Take an existing skills collective action programme to scale.

SKILLS DEVELOPMENT

Data provided by Statistics South Africa shows that youth unemployment in South Africa worsened in the period from 2009 to 2014 and reached 37.7% in the first quarter of 2016. The data also shows a concerning trend of unemployed youth increasingly becoming 'discouraged work-seekers.' Youth entrepreneurship has also declined despite being touted as one of the key policy interventions for youth employment.

This deepening youth unemployment is happening against the backdrop of continued sluggish economic growth, increasing service delivery protests and the emergence of youth-led campaigns such as Fees Must Fall. Despite the efforts of government and its social partners to drive inclusive economic growth, alleviate poverty, and create employment, it is evident that without serious and urgent interventions, the prospect of civil unrest is increasing, given high levels of youth unemployment and inequality.

Businesses require access to a supply of good skills in order to keep growing and achieving their strategic goals. South African companies are being challenged to ensure their future skills pipeline and help to solve unemployment by thinking afresh about their role in and contribution to education and skills development. This will allow them to inform the design and delivery of the skills development system that best serves industry needs. Given the gravity of youth unemployment, it is essential that short-term interventions are identified while medium- to long-term solutions are being implemented.

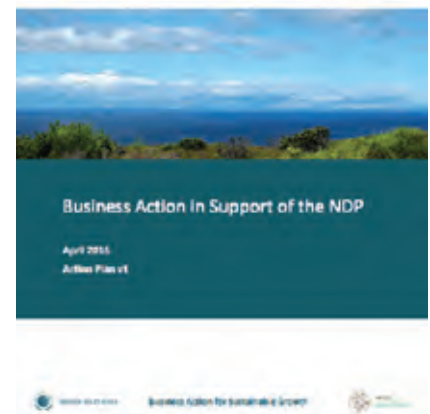
The NBI envisages a skills pipeline that is responsive to labour market needs and that offers youth multiple pathways such as further study, employment and self-employment. To realise this, the Department of Higher Education and Training (DHET) recognises the need for an expanded, vibrant Technical and Vocational Education and Training (TVET) college sector that delivers diverse programs responsive to industry and community needs and that enhances the employability of college graduates. A skilled and employable workforce will contribute to economic transition and social transformation.

The NBI plays an implementation and anchoring role for the skills development work currently underway between business and government to facilitate co-operation and understanding. This role also positions the organisation to identify ways to pull all the work from the various projects together and use the learning and value achieved to influence the system as a whole.

The NBI launched a cross-cutting programme during 2016 that focusses on the role of business in the implementation of the NDP and specific voluntary action plans are being developed to drive practical implementation. Out of the 6 priority areas, number 3 was identified as scaling up TVET colleges.

The NBI provides secretariat support as the chair of the Education and Skills Task Team of the presidential business-working group that focuses on work integrated learning, entrepreneurship, education, and how business can support the development of the skills necessary for the infrastructure development programme. The NBI also serves on several of the Department of Higher Education and Training Technical Task Teams and on the Business Unity South Africa sub-Committee on Education and Training, which provide the opportunity to tap into and influence key developments in the skills development sector.

The relationship between business and government in the TVET college sector deteriorated during the year and it will be critical that all stakeholders in the higher education system take a constructive approach to identify collaborative solutions that address the country's skills development needs effectively.



KEY PROJECTS

Construction Industry Partnership (CIP)

The CIP was launched by the NBI in 2006 to foster meaningful partnerships between TVET colleges and construction companies to improve the colleges' responsiveness to the skills needs of industry. The goal of the CIP

is to support colleges to become centres of excellence in the field of education and training so that these become the preferred providers of a skilled workforce for the building and civil construction industry. The initiative also serves as a testing ground to generate ideas and lessons for providing quality training that is innovative and responsive to industry needs, and also provides a basis for scaling-up efforts.

The CIP comprises Aveng Grinaker-LTA, Basil Read, Group Five, Murray & Roberts, the Master Builders Association, the South African Forum for Civil Engineering Contractors and the Construction Industry Development Board (CIDB). The Department of Higher Education and Training is the strategic partner of the CIP.

During 2016, the CIP completed a project to map the curriculum of the TVET College Report 191 (NATED) and National Certificate (Vocational) Civil Engineering and Building Construction curriculum against existing Quality Council for Trades and Occupations (QCTO) qualifications for the Bricklayer and Carpenter Trades and the Foreman Occupation.

Based on the findings of the mapping exercise the CIP, and, in partnership with Harambee, the NBI are currently piloting a structured placement programme to assess graduates for attributes suitable to the construction industry. Harambee is an employer initiative that provides a sustainable way to successfully employ and retain first-time entrants into the workplace. Successful candidates undergo a three-month integrated work-readiness programme offered jointly by Harambee and CIP construction companies. On completion of the programme candidates are placed in company construction sites for nine months of structured workplace-based learning. The first cohort of 28 graduate bricklayers and carpenters started the programme in February 2016 and began their nine-month structured placement in May 2016.

PROGRESS AGAINST 2016 GOALS - CIP

1. Use the findings of the curriculum mapping exercise to further understand the gaps in curricula with respect to knowledge and practical skills and how best to address these gaps, be it through skills programmes or a revision of the NCV curriculum. The findings of this study will also be used in the CIP/Harambee Workplace-based Learning (WBL) pilot project to inform the scope and structure of the WBL with a view to addressing the gaps identified as well as provide a structured WBL programme.
The curriculum mapping exercise was completed during 2016 and the findings have been incorporated into the WBL pilot.
2. 30 NCV Level 4 graduates in civil engineering and building construction to be taken through the Harambee Work Readiness Programme and placed for up to a year in construction companies for structured WBL.
28 graduates completed the Work Readiness Programme and entered structured WBL in May 2016. Two candidates initially selected for the programme deregistered to pursue other interests.

TVET COLLEGES AND GREEN SKILLS

The NBI is working with the Industrial Development Corporation (IDC) to strengthen the capacity of TVET Colleges to build green skills. The first phase of the programme was implemented with the aim of strengthening the employability of graduates in the installation and maintenance of solar water heaters for absorption into jobs and self-employment. The project also aims to help colleges to become centres of excellence for 'green' plumbing skills through offering innovative training linked to job creation.

The project provided practical training in the installation and maintenance of solar water heaters over a seven-week period that included six months of work experience and included entrepreneurship training. Ten learners with plumbing qualifications participated in the project. The NBI is in discussions with the IDC for funding of phase two of the project.

50

The NBI has entered into a partnership with Nedbank to take the project forward at TVET colleges in Gauteng in a project that started in June 2016 to train 30 graduates. The initiative will inform the design and implementation of a model for the development of green skills that draws on employer and college expertise with the primary goal of increasing levels of employment and self-employment for youth. The programme will focus on building institutional capacity at the colleges with Nedbank bringing its considerable expertise in entrepreneurship and enterprise

development into the public TVET space. The intention is to create a new generation of TVET college graduates who learn skills not just to be employable but to be able to be able to create employment in their own right, contributing to the development of 'Greenpreneurs'.

PROGRESS AGAINST 2016 GOALS – TVET COLLEGE INITIATIVES

1. Implement the pilot project with ten learners at an urban TVET College. The planning for the intervention at a rural TVET College is still to be finalised. Secure funding for year two of the project to deepen the gains made in year one and to put more effort into the entrepreneurship development aspect of the project. *Ten learners participated in the project in the year. The NBI is in discussions with the IDC to secure funding for the second phase.*
2. Implement a similar project in one college in Gauteng. *Currently being implemented through the partnership with Nedbank described above.*
3. Four Thought Leadership Sessions to be held to continue to support NBI members with research and knowledge. *In July 2015, the NBI facilitated a Dialogue Session with construction companies, construction industry associations, DHET, QCTO, CIDB, CETA and TVET colleges on the findings of the Curriculum Mapping exercise conducted by the NBI on behalf of the Construction Industry Partnership. The report findings and insights from the Dialogue were used in the design of the CIP/Harambee Structured Placement Pilot project.*

In November 2015, the NBI and IDC jointly hosted a breakfast to reflect on the lessons learnt from phase one of the Green Skills programme with a view to informing the design and implementation of Phase Two, identifying core elements of an emerging model for building Green Skills in TVET Colleges and encouraging more companies and funders to take part in the initiatives.

In February 2016, the NBI held consultative discussions with its members and partners on the proposed changes to the National Skills Development Strategy (NSDS) and Sector Education and Training Authorities. The inputs informed the NBI submission to the Minister of Higher Education and Training, Dr Blade Nzimande.

In March 2016, the NBI and the CIDB jointly hosted a breakfast with construction companies, contractors and industry associations to present the CIDB Best Practice Standards for Contractor Development. The breakfast sought to develop a shared and deeper understanding of the application of the Standards amongst all construction sector stakeholders, critically reflect on the role and contribution of construction companies in training and supporting the development of small and emerging contractors, and identify concrete steps for a coordinated and joint effort on contractor development initiatives through structures such as the CIP.
4. Two new partnerships to be formalised. *A partnership with the Nedbank Foundation has been formalised with the rollout of a project to install and maintain solar water heaters. The project will focus on strengthening entrepreneurship education TVET colleges.*

TOURISM AND HOSPITALITY LECTURER PLACEMENT

The NBI, in conjunction with ProServ South Africa, implemented a lecturer work exposure programme for Tourism and Hospitality TVET College lecturers in Gauteng. Lecturers play a vital role in developing in students a greater understanding of industry needs and expectations, as well as transferring to them workplace-related skills and competencies. Lecturers must therefore stay abreast of workplace trends and innovations.

Fifty-two lecturers from six Gauteng TVET Colleges were exposed to relevant industry areas over five days at various hotels and tourism companies.

Planning for Phase Two is underway and will include assessing how lecturers translate the experience gained in industry into improved teaching and provide access to the World of Work platform and up-to-date resources and information to enable lecturers to keep abreast of industry developments.

PROGRESS AGAINST 2016 GOALS - Tourism and Hospitality Lecturer Placement

1. To secure funding for year two of the project to deepen the gains made in year one.
Planning for phase two of the programme is underway and will include assessing how lecturers translate the experience gained in industry into improved teaching. It will also provide access to the World of Work platform and up-to-date resources and information to enable lecturers to keep abreast of industry developments.

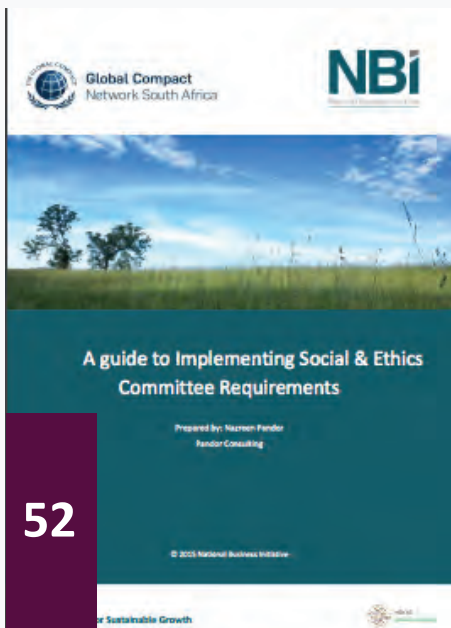
SKILLED YOUTH PROGRAMME

The Skilled Youth Programme focuses on delivering a programme for learners in Grades 9 to 12 that provides workplace exposure, leadership development, academic support, career guidance and mentorship. The programme aims to build on the NBI's experience in running the Johnson & Johnson 'Bridge to Employment' programme in the healthcare sector. A scoping exercise has been completed and funding is currently being sought for implementation.

PROGRESS ON 2016 GOALS - Skilled Youth Programme

1. Additional companies to be contacted to participate in the rollout of the project.
The NBI has identified a partner with whom we are designing the project, taking into account the results of the scoping exercise.
2. Funding secured and commencement of project rollout.
The new partner will fund the project
3. To have at least three companies agree to take part in the pilot.
The final design of the project will determine the number of participating companies.

UNITED NATIONS GLOBAL COMPACT (UNGC)



The United Nations Global Compact (UNGC) is the world's largest corporate sustainability initiative. It is a call to companies to align their strategies, operations and culture, with the universal principles in the areas of human rights, labour, environment and anti-corruption; and to take actions that advance societal goals.

The NBI anchors the Global Compact Network South Africa, which currently has 76 signatory companies. We deliver a range of activities to advance the 10 UNGC Principles and the UN Sustainable Development Goals. The NBI's work with the UNGC is focused on anti-corruption, human rights in the workplace and supporting companies to set up Social and Ethics Committees.

During the year, we deliberated on how to integrate the UNGC work more tightly into the NBI workstreams and revised strategy, given the UNGC's position as a distinct international brand with its own participant base. While the UNGC work is interlinked across the NBI workstreams, the reporting line has been moved to the social sustainability stream.

We have adopted the UN Sustainable Development Goals (SDGs) as one of our strategic projects as these align with the NDP and reflect South Africa's development priorities. Our work around the SDGs and NDP is discussed in more detail in the Integrating Strategic Project section on page 55.

We plan to hold workshops with SMEs that are Global Compact signatories to raise awareness on how to report on the principles and the importance of reporting.

ANTI-CORRUPTION



The NBI's anti-corruption work supports business to develop good practices by implementing anti-corruption measures in their operations and supply chains. We also promote collective action on anti-corruption between business, government and civil society organisations.

Currently, we work with a group of industry bodies in the construction sector to strengthen transparency in procurement through Integrity Pacts. Integrity Pacts aim to prevent corruption in public contracting by establishing a process in which bidders to a tender and the government agency in question agree the ethical standards to be applied to the process. A level of independent monitoring of the process is also agreed with sanction if the parties contravene.

We continue to engage with government stakeholders to take the Integrity in Procurement work forward. Work is progressing on how to escalate our anti-corruption work into a broader set of initiatives.

PROGRESS AGAINST GOAL FOR 2016 – Anti-corruption

1. Develop partnerships between the sector and government to demonstrate good procurement practices. *We held consultations with the Construction Sector and obtained their support to work collaboratively with the Gauteng Province on Open Procurement. Some consultations were also held with the Province but little traction was achieved and this is no longer an area of focus for the organisation.*

HUMAN RIGHTS

The NBI's Human Rights work is framed around the ten principles of the United Nations Global Compact (UNGC) and the UN Guiding Principles on Business and Human Rights. It aims to address the business impacts on employees, communities, customers and supply chains. We engage with Global Compact signatories in South Africa through training and dialogues to support and facilitate human rights and labour rights.

The work is also being expanded to focus and find solutions on broader social challenges and risks that affect South Africa's society. These include issues around the slow pace of social and economic transformation, inequality, racism, xenophobia, exploitation of children and sexism.

During the year, we built useful local and international partnerships for our human rights and labour work. In partnership, we achieved the following:

- With SHIFT, we carried out a series of trainings based on the UN Guiding Principles on Business and Human Rights. We used the engagements to gather South African companies' experience regarding human rights to revise a Business Guideline on Human Rights that will be launched at the Global Compact Annual Local Networks meeting in Dubai in October 2016.
- With the Global Business Initiative on Human Rights, we delivered a conference for business leaders on 'Corporate Respect for Human Rights'. The conversation brought multinational companies to South Africa to gain learning from both global best practice and local business challenges.
- With the Global Child Forum, we introduced the corporate and investor role on child rights. We held a large conference in September 2015 followed by an initiative led by the South African Human Rights Commission that took place alongside the Mining Indaba in Cape Town. A subsequent Nedbank-led initiative brought companies and stakeholders together to work towards ending the sale and sexual exploitation of children.
- With the JSE, we raised awareness on gender equality and women empowerment principles as an important guideline for business action. Gender equality is a top priority and a Sustainable Development Goal.



PROGRESS AGAINST 2016 GOALS – Human Rights

1. Develop a toolkit on human rights to support workshops and dialogues.
A toolkit on Human Rights has been developed to support dialogues and workshops were presented in Johannesburg, Durban and Cape Town.
2. Reduce human rights impact for business through engagement and implementation of the UN Guiding Principles.
The NBI worked with the Netherlands UNGC Local Network and SHIFT (an international human rights and anti-corruption organisation) to develop a 'Human Rights in the Workplace' guidance tool.

A number of strategic projects have been identified to raise understanding, complement the work already in progress and build cohesion across the organisation. Current projects include:

GREEN ECONOMY AND CLIMATE FINANCE

The NBI’s work in the area of Green Economy and Climate Finance arises from the idea that the economy we currently have does not provide adequately for our country’s social and environmental needs. If we are to transform our economies we need to innovate across a range of areas that impact our patterns of production and consumption, including business models, consumer behaviour, policy development and finance.



The focus of this work is on financial innovation in the context of development, and especially in South Africa.

The Green Economy Finance project is a research project in collaboration with KPMG that aims to provide recommendations for the design of policy and financial instruments that would accelerate investment in the green economy in South Africa. It builds on the outcomes of an ongoing project by the NBI on barriers to access in low-carbon finance and directs research to the areas identified by key stakeholders as the most significant barriers and requiring specific attention.

In 2016, we launched a project looking at investment opportunities, the finance sector and the economy. We also developed several fundamental conversation frameworks to explore a project finance and economic principles framework that we use to assess the alignment of economic and development policy.

National Development Plan (NDP) Implementation – Business Action in Support of the NDP

The NBI officially launched the NDP Business Action Plan in April 2016, which focuses on six key areas of business action. The goal of the project was to identify five or six specific areas in which business can play a meaningful role in supporting the NDP and socio-economic development in South Africa.

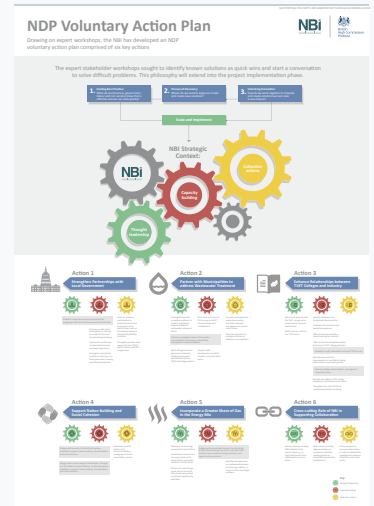
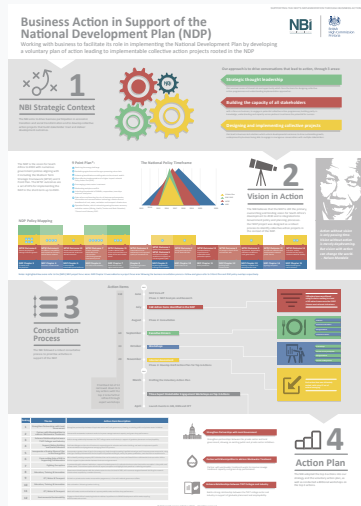
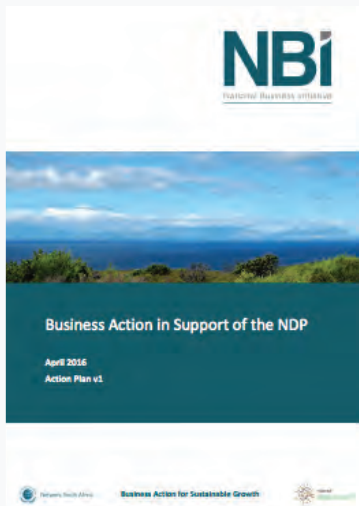
Based on a consultative process focused on business engagement, the NBI has prioritised six priority areas for collective business action within the context of the NDP:

1. Strengthen partnerships between the private sector and local government
2. Partner with municipalities to address wastewater treatment
3. Enhance the relationships between TVET colleges and industry
4. Support nation building and social cohesion
5. Incorporate a greater share of gas in the energy mix
6. Cross-cutting role of the NBI in supporting collaboration

The NDP Business Action Plan outlines these top six actions in more detail and provides an implementation plan for their rollout.

We believe that driving action in these six areas will unlock significant development opportunities and strategic benefits for the country, signal strong support to government and position business as a source of innovation, as well as a trusted implementation partner.

The NBI developed three infographics that provide a visual summary of the project, illustrate the process followed, give an overview of the top six actions and explore the high-level relationship between the SDGs and the NDP. It is worth noting that 92% of the NDP’s 72 stated objectives can be mapped to the 169 SDG targets, with an identical timeframe to 2030.



REIMAGINING AFRICA

In 2015, the NBI worked with Accenture to produce the Reimagining Africa report, which was based on the sustainability views of 25 business leaders across Africa and values the sustainability opportunity on the continent at US\$350 billion a year. The report dissects the business opportunities to drive revenues and cost reduction by focusing on social, environmental and economic opportunities in companies' value chains, with the specific goal of shifting the conversation from one of risk and cost to one of opportunity and innovation. We are currently developing the next phase of the project.

SUSTAINABLE DEVELOPMENT GOALS (SDG) IMPLEMENTATION

Through our international partnership with the UN Global Compact, the NBI has adopted the SDGs as a useful strategic framework. Using the uniqueness of the UNGC as a multi-stakeholder platform to work with companies, the NBI is driving a thought leadership process on the SDGs.



The aim is to build the capacity of companies to integrate and deliver on the goals and where possible, to engage in collective action for greater scale and impact.

These engagements will highlight and share available tools and guidelines as well as existing and emerging company practices on the SDGs. Our objective is also to use the SDGs to drive conversations with companies towards economic transition and social transformation.

In June 2016, we held two workshops in Durban and Cape Town, and a thought leadership event in Johannesburg. We also produced an infographic mapping the strategic priorities of the NDP to the SDGs.

SOCIO-ECONOMIC SCENARIOS

The NBI has been developing socio-economic scenarios. The scenarios aim to improve understanding of the uncertain environment in which stakeholders in our society operate. The socio-economic and political context in which we need to make decisions will shape the technologies and systems we implement across a range of development areas from energy to water and skills development.

The scenarios provide a key tool to engage on energy and energy development in South Africa, including the role of energy efficiency, and allow us to take forward the conversations between the public and private sectors around energy futures. NBI member companies plan to work together with government and other stakeholders to identify areas of meaningful impact that we can develop and execute together, including exploring the role of renewables and gas in the energy mix.

Governance Report

The NBI is committed to the principles of good corporate governance and stewardship, as defined in the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (King III). We are also committed to ensuring ongoing compliance with the regulatory requirements in South Africa.

The NBI is a non-profit company and aligns with the governance structure required by the Companies Act 71 of 2008, as amended.

The organisation's governance practices and implementation of the King III principles have been reviewed and found to be materially compliant.

Membership Council

The Membership Council involves members in the organisation, enables oversight and allows them to directly shape, influence and drive the strategy of the organisation. The NBI board and CEO report to the Council on critical issues and the strategic direction of the organisation. The Membership Council was established in March 2013, meets twice annually and has no fiduciary responsibility.

Regional Membership Advisory Councils continue to operate in the Western Cape and KwaZulu-Natal and meet three times per annum.

The Board

In terms of the NBI's Memorandum of Incorporation, 14 of the directors reached the end of their terms during the year and those that were available were considered for re-election at the Membership Council meeting in March 2016. At the meeting, nine directors were re-elected, three new directors were appointed for three-year terms and one director had not yet reached the end of his initial term.

The NBI is extremely grateful to both the NBI Board and members for their support, dedication and commitment over the past three years. As a membership-driven organisation, the NBI would not exist without its members and their active input, feedback and participation is essential for its long-term sustainability. The amount of time and level of intellectual input and support invested by the outgoing Board in the organisation is greatly appreciated.

At 30 June 2016, the NBI board comprised 13 directors and the NBI CEO, who is the sole executive director. Nine of the directors are representatives of member companies and four are independent directors. In addition to the 14 directors, the two chairs of the regional Kwa-Zulu Natal and Western Cape Membership Advisory Councils serve in an ex-officio capacity on the main, both of whom are from NBI member companies. The board meets four times a year and more frequently when required.

The board is ultimately responsible for implementing the organisation's strategy and for meeting all fiduciary requirements as defined by the Companies Act and King III. It is accountable to the Membership Council. The CEO is accountable to the board and Membership Council and is responsible for implementing the organisation's work.

The board has a written charter that was amended and approved during the year. A board assessment questionnaire was distributed to directors, responses were collated by an independent third party and the report distributed during the year.

A strategy/induction session is planned to update the new Board on the critical issues facing the NBI as well as the organisation's strategy and expected outcomes. The aim is for this to support the development of a scorecard for board meetings to crystallise the organisation's business goals and focus areas and monitor performance against specific key performance indicators.

Board meeting attendance	30/06/16	03/03/16	18/11/15	17/08/15
Cas Coovadia (Chair)	P	P	P	P
Francois Adriaan	P	P	P	P
Brigitte Burnett	P	†	†	†
Colin Coleman	P	P	A	P
Vuyo Kona	P	P	P	P
Deirdré Lingenfelder	P	P	P	P
David North	P	†	†	†
Gideon Serfontein	P	P	P	P
Khumo Shongwe	P	P	P	P
Wrenelle Stander	P	P	A	P
Kgomotso Tshaka	P	†	†	†
Joanne Yawitch	P	P	P	P
David Brink	A	P	P	P
Muzi Chonco	A	P	P	P
Xolani Magojo	A	P	P	P
Mandy Rambharos	A	P	P	A
Karen Ireton	‡	P	P	P
Thabani Jali	‡	P	P	P
Bonang Mohale	‡	A	P*	P*

P – Present A – Apologies received * – Represented by Leon Lizamore † – Appointed 17/03/2016 ‡ – Term expired 17/03/2016

Board Sub-Committees

The board delegates certain of its responsibilities to sub-committees, although the board retains ultimate responsibility for these functions. Certain sub-committees include members who are not on the board where they bring additional relevant expertise to the role. Sub-committees are chaired by board members.



Audit and Risk Committee

The audit and risk committee comprises two non-executive directors, a member representative and Mr Tak Hiemstra, a Chartered Accountant. The audit and risk committee was established in April 2013 and meets four times a year, or more frequently as required.

The roles, duties and responsibilities of the audit and risk committee are set out in the audit and risk committee charter which is shown on page 63. The charter aims to ensure that the committee is compliant with the recommendations of King III.

The audit and risk committee operates according to terms of reference that have been approved by the board.

Audit and Risk Committee attendance	26/05/16	01/03/16	29/10/15	01/09/15
Gideon Serfontein (Chair)	P	P	P	P
David Brink	P	P	P	P
Tak Hiemstra	P	P	P	P
Theresa Moila	A	P	P	P

P – Present A – Apologies received

Remuneration Committee

The remuneration committee governs and oversees the organisation's policies for recognition and reward. The committee is also responsible for the evaluation of the performance of the NBI CEO.

The committee comprises 2 non-executive directors and the chairman. The committee meets once a year, and if required, more frequently.

No increases and awards were awarded last year due to the financial position of the organisation. In light of the solid performance in difficult circumstances during the year, a decision was made to reward good performance. A 6% cost of living increase was approved and a series of performance-related bonuses were agreed ranging from 0 - 10% cost to company based on an evaluation of staff and individual performances.

Remuneration Committee attendance	20/06/16
Cas Coovadia (Chair)	P
Karen Ireton	P
Khumo Shongwe	A

P – Present A – Apologies received

Social, Ethics and Transformation Committee

The NBI's social, ethics and transformation committee determines the course of action the NBI should adopt for unethical member behaviour, looks at stakeholder issues and reviews the broader social issues within the context of the NBI. The committee was established in May 2013 and comprises three non-executive directors.

The committee has written terms of reference that have been approved by the board. The committee reviewed and updated various policies during the year, including the anti-corruption policy, the leave policy and the maternity and paternity policy. The terms and conditions of employment, and the termination of employment were updated and approved by the committee during the year.

The committee met twice times during the year under review.

Social, Ethics and Transformation Committee attendance	17/02/16	27/10/15	29/10/15	01/09/15
Thabani Jali (Chair)	P	P	P	P
Mandy Rambharos	P	P	P	P
Masechaba Tekana	P	A	P	P
Kgomotso Tshaka	P	P	P	P

P – Present A – Apologies received

Company Secretary

The company secretary assists the chairman in coordinating and administering the functioning of the board, facilitates the induction of new non-executive directors and ensures statutory compliance. The directors have unrestricted access to the advice and services of the company secretary. The appointment and removal of the company secretary is a matter for the board and not executive management.

Delegation of Authority

Board-approved Delegation of Authority documents are in place to formalise the 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

The audit and risk committee reviews and assesses the risks facing the organisation. The major risks relate to securing funding in a challenging economic environment and effectively managing the liquidity of the organisation, which is largely dependent 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.

The NBI continues to develop and refine the levels of risks and its risk appetite. Formal policies are in place to provide guidance on risk tolerance and the consistency of accepting such risk across the organisation. Risks processes consider generic organisational risks and specific programme risks, the status of these risks and the mitigating controls in place.

The risk matrix process was updated during the year based on a review of the existing risk matrix, input from the audit and risk committee and the issues raised in the yearend audit. The leadership team engaged with their staff on perceived risks leading to a collective discussion. A list of the current top five risks was compiled and a workshop was held to determine mitigating measures, time frames, the risk management processes currently in place and what needs to be done in future.

The risk register describes the top five risks currently facing the organisation, their potential consequences as well as short-term and long-term mitigating actions. These are:

1. Inadequate funding
2. Erratic cash flow
3. Market irrelevance
4. Inadequate staff capacity
5. Lack of or decrease in member awareness and participation

The leadership team reviews the risk matrix quarterly and management reports to the audit and risk committee twice a year on progress in mitigation and preventative actions regarding risks.

Ethics

The NBI recognises the importance of maintaining a strong ethical culture and seeks to drive this by placing a high implicit value placed on ethical behaviour in the organisation. A formalised Code of Conduct is in place.

The NBI has a zero tolerance approach to corruption. The anti-corruption policy has been workshopped with all staff, who are required to sign the policy to indicate their familiarity with its contents. A gift register is maintained whereby all staff are required to declare gifts worth over R300. The NBI's internal controls, procurement policy and the auditors' annual review of internal controls are all mechanisms that assist in ensuring that the organisation operates in an honest manner.

Remuneration

NBI board members are volunteers and 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.

Audit and risk committee report

The Audit and Risk Committee is constituted as a statutory committee of the NBI in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (as amended) (the Act) and a committee of the Board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2016 financial year.

Names and qualifications of committee members

Gideon Serfontein (Chairman)

Chartered Director (SA); Hons.B.Comm (Management Sciences), Master Development Finance (Mdev)

David Brink

MSc Eng (Mining), DComm (hc), Graduate Diploma in Company Direction

Theresa Moila

BA degree and postgraduate Honours in Social Work

Tak Hiemstra

BCompt (Hons), CA (SA) (resigned from the Committee in June 2106)

Terms of reference

The committee's formal terms of reference are set out in the Audit and Risk Committee charter which has been approved by the board. These terms of reference are reviewed on an annual basis and updated as necessary. During the past year, the committee has executed its duties in accordance with these terms of reference.

Composition

The committee comprises of three independent non-executive directors, one of which is the chairman, and one member representative. All members of the committee are suitably skilled and experienced. The Chairman of the Board is not eligible to be the Chairman or a member of the Audit and Risk Committee.

Meetings

Four meetings were held during the year. Meeting attendance is shown on page 59 of the governance report.

Statutory duties

The following statutory duties were executed by the committee in terms of the Act:

- BDO South Africa were nominated and re-appointed as external auditors and Ms Diane McCallum, Partner, as the individual auditor, after confirmation of their independence;
- the external auditor fees and their terms of engagement were approved;
- all non-audit services provided by BDO South Africa were reviewed and approved;
- meetings were held with BDO after the Audit and Risk Committee meetings, without the executive management present, and no matters of concern were raised;
- no reportable irregularities were noted by BDO;
- the role of the committee is set out in the Audit and Risk Committee charter summary on page 63 of this report;
- the committee reviewed the integrated annual report before recommending it to the Board for approval; and
- the committee reviewed the annual financial statements as well as the interim report during the year with the external auditors present before recommending them to the Board for approval.

Risk management

The Board has assigned oversight of the risk management function to the Audit and Risk Committee.

The committee satisfied itself that the process and procedures followed in terms of identifying, managing and reporting on risk are adequate and that the following areas have been appropriately addressed:

- financial reporting risks;
- internal financial controls;
- fraud risk relating to financial reporting; and
- IT risk as it relates to financial reporting.

The committee's mandate and risk management policy and plan are in place.

Internal financial controls

The committee reviewed the internal and external audit scope, plans and the resultant findings to determine the effectiveness of management systems and internal controls during the year. Assurance was received from management, internal and external audit and, based on this combined assurance, the committee is satisfied that the internal controls of the group are adequate and that there was no material breakdown in internal controls.

Regulatory compliance

The organisation complied with all relevant laws and regulations and considers adherence to non-binding rules, codes and standards. Compliance forms an integral part of the company's risk management process.

Internal audit

The organisation is still in the process of establishing an internal audit function to monitor the internal control environment.

External audit

The committee has no concerns regarding the external auditor's independence and BDO South Africa has been recommended to the board and shareholders to be re-appointed.

Financial manager review

The committee has reviewed the performance, experience, resources and expertise of the financial function, headed by Mr Wouter van der Merwe, and confirms the suitability of the financial function to fulfil its role.

Integrated annual report

The committee has evaluated the annual financial statements of the NBI and the group for the year ended 30 June 2016 and based on the information provided to it considers that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards. The committee has reviewed the integrated annual report and it recommends the report to the board for approval.

AUDIT AND RISK COMMITTEE CHARTER SUMMARY

The Audit and Risk Committee Charter sets out the roles, duties and responsibilities of the audit and risk committee and its relationship to the internal and external audit functions and the board of NBI.

The committee is constituted as a statutory committee of NBI in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 (as amended) and a committee of the board in respect of all other duties assigned to it by the board.

The Charter aims to ensure that the committee is compliant with the recommendations of the Report on Governance for South Africa 2009 (King III). It was confirmed by the board on June 25, 2014 and is reviewed annually by the committee and the board.

Purpose of the Audit and Risk Committee

The committee was established by the board on April 9, 2013. The purpose of the committee is to assist the board in discharging its duties relating to:

- The safeguarding of assets;
- Risk evaluation and risk management;
- The operation of adequate financial and administration systems including internal control;
- Accurate reporting to members and other stakeholders and provision of financial statements in compliance with all applicable legal requirements and accounting standards; and
- Compliance with relevant laws, regulations and procedures.

The committee provides a forum for discussing business risk and control issues, for developing relevant recommendations for consideration by the board and acts as a channel of communication between the board and management and the internal and external auditors.

The committee has oversight of the activities of the NBI internal and external audit function currently provided by BDO South Africa.

The committee is an advisory committee and not an executive committee except in relation to:

- The nomination of the external independent auditor for each financial year appointed in terms of the requirements of the Companies Act (as amended) in South Africa and any other regulatory and legislative requirements with which the company needs to comply;
- The approval of non-audit services performed by the external auditor;
- The approval of the terms of engagement of, and fees to be paid to, the external auditor; and
- The approval of the appointment of internal auditors if the function is outsourced, and of the head of internal audit if an in-house internal audit function is established.

With the exception of the items enumerated above, the committee shall not perform any management functions or assume any management or board responsibilities, shall have an objective independent role, and shall submit recommendations as appropriate to the board for approval or final discussion.

Membership and Meetings

The audit and risk committee is appointed for the duration of the term of the board (i.e. a three-year period). The committee consists of at least three members, all of whom are independent non-executive directors with the requisite experience, knowledge and skills set to serve on the committee. Members of the committee are appointed from amongst the directors of the board and NBI members.

The chairman of the committee is appointed by the board, is a member of the board and has the requisite business, financial and leadership, and communication skills.

The quorum for decisions by the committee is any two members of the committee present throughout the meeting of the committee. The company secretary is the secretary of the committee.

The composition of the committee and its chairmanship is subject to annual review by the board. The committee undertakes annual self-assessments which include assessments by the external auditors and internal audit function and the financial head/manager.

The committee meets at least three times a year, or more frequently as required.

The chairman of the board, Chief Executive Officer and financial head/manager of the NBI, any other representatives of the NBI's financial management and representatives of the external and internal auditors attend meetings as invitees, and other NBI board members shall also have a right of attendance. Invitees do not have a vote at meetings of the committee.

The minutes of all meetings are submitted to the board at the board meeting immediately following the committee meeting and the chairman of the committee has an opportunity to report on any matters of importance as well as the committee's findings and recommended actions.

The chairman of the committee attends Membership Council meetings of the NBI to answer questions concerning matters falling within the ambit of the committee.

Responsibilities and Functions of the Audit and Risk Committee

The committee's duties include:

- Reviewing the internal control structures including financial control, accounting systems and reporting;
- Reviewing the group's statement on internal control systems prior to endorsement by the board and in particular reviewing:
 - procedures for identifying business risks and controlling their impact on the NBI;
 - policies for preventing and detecting fraud;
 - policies for ensuring that the NBI complies with relevant regulatory and legal requirements; and
 - the operational effectiveness of the policies and procedures;
- Liaising with external and internal auditors;
- Monitoring and ensuring compliance of the NBI with the laws and regulations of applicable statutes and of controlling bodies and all legal requirements;
- Liaising and co-ordinating with the work of the social, ethics and transformation committee;
- Reviewing the expertise, resources and experience of the NBI's finance function, and disclosing the results of the review in the integrated report. The committee also considers and satisfies itself of the suitability of the expertise and experience of the financial head/manager every year; and
- Reporting in the integrated report how the committee carried out its functions during the financial year and stating whether it is satisfied that the external auditor was independent of the company.

External Audit

The committee nominates for appointment as auditor of the company a registered independent auditor for approval by the board. The committee's duties in relation to the external auditors include:

- Discussing and reviewing the auditor's engagement letter, the terms, nature and scope of the audit function, procedure and engagement;
- Evaluating the independence, cost effectiveness and objectivity of the external auditors;
- Reporting on the independence of the external auditor in the annual financial statements;
- Negotiating procedures, subject to agreement, beyond minimum statutory and professional duties and pre-approving the proposed contract with the auditor in respect of all non-audit services to be rendered;
- Evaluating the performance, quality and effectiveness of the external auditors and the external audit process;
- Giving direction to external auditors to address areas of concern, in addition to the auditors' minimum statutory and professional duties and to consider any problems identified in regard to the company's going concern status or matters of internal control;

- Identifying key matters arising in the external auditor's management letter and satisfying itself that these are being properly followed up;
- Reviewing the adequacy of corrective action in response to significant external audit findings;
- Reviewing management's letter of representation to the external auditors before finalisation of the integrated report;
- Determining the fees to be paid to the external auditor and ensuring the external audit fee will sustain a proper audit and provide value for money; and
- Considering any questions on the resignation or dismissal of the auditors.

Internal Audit

The committee monitors and supervises the effective function of internal audit to provide an objective overview of the operational effectiveness of the NBI's systems of internal control and reporting. This includes:

- Reviewing the objectives and operations of the internal audit function;
- Evaluating the performance of internal audit, its effectiveness and independence;
- Reviewing the internal audit function's compliance with its mandate as approved by the committee and considering whether the mandate, organisation, resources, internal audit skills and standing of the internal audit function are appropriate to enable the committee to meet its objectives;
- Reviewing and approving the internal audit plan and budgets and satisfying itself that the coverage makes provision for effectively addressing the critical risk areas of the business;
- Considering internal audit reports on the effectiveness of the process for identifying, assessing and reporting on all significant business and operational risks and the management and mitigation of those risks by the committee, and making appropriate recommendations to the board;
- Reviewing and considering the conclusions and significant matters reported by the internal audit function in relation to financial reporting, corporate governance and internal control;
- Reviewing the adequacy of corrective action taken in response to significant internal audit findings; and
- Reviewing the co-operation and co-ordination between the internal and external audit functions and co-ordinating the formal internal audit work plan with external auditors to prevent duplication of work.

Integrated Reporting

The committee oversees integrated reporting and recommends the integrated report for approval by the board. This includes reviewing the integrity of the report, the quality of financial reporting and the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information. The committee also reviews the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information and any other similar documents.

Risk Management

The committee is an integral component of the risk management process and its duties include:

- Overseeing the development, implementation and annual review of an effective risk management policy and plan for a system and process of risk management to recommend for approval to the board;
- Making recommendations to the board concerning the levels of risk tolerance and appetite and monitoring that risks are managed within the levels of risk tolerance and appetite as approved by the board;
- Reviewing significant financial and other risk exposures and the steps management has taken to monitor, control and report such exposures;
- Ensuring that compliance forms an integral part of the NBI's risk management process;
- Ensuring that management considers and implements appropriate risk responses;
- Ensuring that continuous risk monitoring by management takes place;
- Reviewing reports and significant findings by the internal audit function with respect to risk management and compliance activities of the NBI, together with management's responses and follow-up to these reports;
- Reviewing the NBI's information technology risk management programs;
- Expressing the committee's opinion to the board on the effectiveness of the system and process of risk management and annually presenting to the board a report summarising the committee's review of the NBI's methods for identifying and managing risks; and
- Reviewing reporting concerning risk management that is to be included in the integrated report, ensuring it is timely, comprehensive and relevant.

Independent Auditor's Report



To the members of National Business Initiative for Growth Development and Democracy (NPC)

Report on the Annual Financial Statements

We have audited the annual financial statements of National Business Initiative for Growth Development and Democracy (Non Profit Company), set out on pages 10 to 27, which comprise the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of National Business Initiative for Growth Development and Democracy (Non Profit Company) as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited annual financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited annual financial statements.

However, we have not audited this report and accordingly do not express an opinion on this report.

BDO South Africa Incorporated

Bonita de Wet

Director

Registered Auditor



SUMMARISED AFS
For the year ended 30 June 2016

**National Business Initiative for Growth
Development and Democracy (NPO)**

FIGURES IN RANDS

2016

2015

ASSETS

Non-Current Assets

Property, plant and equipment

280 779

764 097

Intangible assets

13 516

159 595

294 295

923 692

Current Assets

Trade and other receivables

4 761 419

7 680 844

Cash and cash equivalents

13 708 157

18 356 866

18 469 576

26 037 710

Total Assets

18 763 871

26 961 402

EQUITY AND LIABILITIES

Equity

18 763 871

26 961 402

General Development Fund

9 186 891

3 873 274

Liabilities

Non-Current Liabilities

Project funds administered

4 226 831

636 178

Current Liabilities

Operating lease liability

63 885

63 885

Trade and other payables

2 144 550

3 941 251

Project funds administered

2 868 413

17 932 904

Bank overdraft

273 301

513 910

5 350 149

22 451 950

Total Liabilities

9 576 980

23 088 128

Total Equities and Liabilities

18 763 871

26 961 402

STATEMENT OF SURPLUS AND DEFICIT For the year ended 30 June 2016	National Business Initiative for Growth Development and Democracy (NPO)	
FIGURES IN RANDS		
	2016	2015
Revenue	24 234 737	21 854 005
Other income	765 179	1 052 333
Operating costs	(19 883 758)	(23 239 000)
Operating surplus (deficit)	5 116 158	(332 662)
Investment revenue	218 757	80 919
Finance costs	(21 298)	(19 758)
Surplus (deficit) for the year	5 313 617	(271 501)
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	5 313 617	(271 501)

STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2016	National Business Initiative for Growth Development and Democracy (NPO)	
FIGURES IN RANDS		
	General Development Fund	Total Equity
Balance at 01 July 2014	4 144 775	4 144 775
Deficit for the year	(271 501)	(271 501)
Total comprehensive deficit for the year	(271 501)	(271 501)
Balance at 01 July 2015	3 873 274	3 873 274
Deficit for the year	5 313 617	5 313 617
Total comprehensive deficit for the year	5 313 617	5 313 617
Balance at 01 July 2016	9 186 891	9 186 891

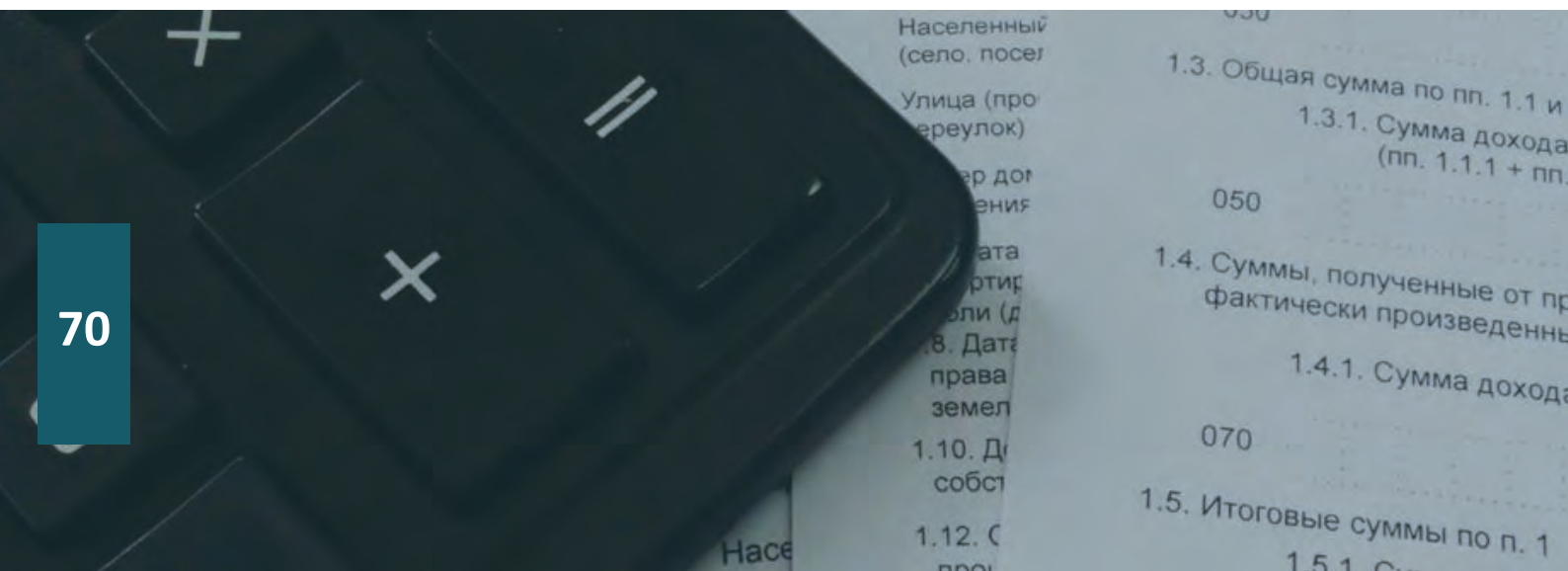
STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

National Business Initiative for Growth Development and Democracy (NPO)

FIGURES IN RANDS

	2016	2015
Cash flows from operating activities		
Cash generated from operations	6 987 745	(2 759 467)
Interest income	218 757	80 919
Finance costs	(21 298)	(19 758)
Net cash from operating activities	7 185 204	(2 698 306)
Cash flows from investing activities		
Purchase of property, plant and equipment	(61 692)	(471 006)
Sale of property, plant and equipment	22 866	5 003
Purchase of other intangible assets	(80 640)	(313 387)
Net cash from investing activities	(119 466)	(779 390)
Cash flows from financing activities		
Movement in project funds administered	(11 473 838)	(389 972)
Total cash movement for the year	(4 408 100)	(3 867 668)
Cash at the beginning of the year	17 842 956	21 710 624
Total cash at end of the year	13 434 856	17 842 956



Glossary

AWS	Alliance for Water Stewardship
B-BBEE	Broad-Based Black Economic Empowerment
BBC	Black Business Council
BEE	Black Economic Empowerment
BLSA	Business Leadership South Africa
BUSA	Business Unity South Africa
CIP	Construction Industry Partnership
CoGP	Codes of Good Practice Corporate Social
CPLI	Climate Performance Leadership Index
CRM	Customer Relationship Management
DERO	Desired Emission Reduction Outcomes
DFID	Department for International Development
DHET	Department of Higher Education and Training
DoE	Department of Energy
Dti	Department of Trade and Industry
DWS	Department of Water and Sanitation
ED	Enterprise Development
EE	Employment Equity
EELN	Energy Efficiency Leadership Network
FET	Further Education and Training
GHG	Greenhouse Gas
HVAC	Heating, Ventilating and Air Conditioning
IDC	Industrial Development Corporation
INDCs	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
JIPSA	Joint Initiative on Priority Skills Acquisition
LCTPi	Low Carbon Technology Partnership Initiative
NBI	National Business Initiative for Growth, Development and Democracy
NCV	National Certificate Vocational
NDP	National Development Plan
NEES	National Energy Efficiency Strategy
OECD	Organisation for Economic Co-operation and Development
PSEE	Private Sector Energy Efficiency Project
QCTO	Quality Council for Trades and Occupations
SANEDI	South African National Energy Development Institute
SED	Socio-economic Development
TSBP	Technical Skills Business Partnership
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
WBCSD	World Business Council for Sustainable Development
WBL	Workplace-based Learning
WEF	World Economic Forum
WRI	World Resources Institute



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