

THE COMPANY AS A RESPONSIBLE CORPORATE CITIZEN: AN ANALYSIS OF THE BOARD'S COMMITMENT TO SUSTAINABILITY

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April 2010

Abstract

Organisations are increasingly realising that they are members of a wider community and must therefore behave in a responsible manner. The boards of directors of organisations play a critical role in ensuring that companies conduct their business in a responsible and sustainable manner, and in providing accurate, reliable and credible reporting to their stakeholders.

The objective of the paper is twofold: to provide a brief overview of the development of corporate citizenship, sustainability and sustainability reporting and the board's role in this regard; and, secondly, to provide evidence regarding the board's commitment to sustainability as disclosed in a company's sustainability reporting. This is achieved through a literature review of current corporate governance and sustainability developments and practices. This review is supported by empirical evidence obtained from assessing the sustainability reporting of companies through a content analysis of the annual reports of companies listed on the Johannesburg Stock Exchange Limited's Socially Responsible Index. The study found that sustainability and sustainability reporting are widely researched and advocated in the literature, and that companies report a commitment to sustainability, but that these reports lack specific detail concerning the board's responsibility for and commitment to sustainability.

Keywords

Corporate Citizenship, Corporate Governance, Stakeholders, Sustainability, Socially Responsible Investment (SRI) Index

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1. INTRODUCTION

Shareholders and the business world have been shocked over the years by corporate scandals, fraudulent financial reporting and business failures. Environmentalists, human rights activists and society at large have also become more conscious and increasingly concerned about organisations' abuse of the environment and the society in which they operate. Add to this the environmental disasters of recent years such as the extreme droughts, hurricanes and tsunamis experienced all over the world, diseases like HIV/Aids, and the deplorable phenomenon of child labour, and the reality is obvious that sustainability has become an inescapable truth and a key component of modern business (Ackers, 2009; De Villiers 2004; Ernst & Young 2008a, 2008b; Institute of Directors (hereafter IoD), 2009; KPMG, 2008; Piketh, 2010; Van Hille, 2010). Organisations are increasingly realising that they are members of a wider community and must therefore behave in a responsible manner by respecting the environment and society in which they operate and exist. This has resulted in a shift in emphasis from the predominantly financial focus of the past to a wider and more inclusive approach of doing business in the future, moving away from the single bottom line (that is, profits at any cost) to a triple bottom line that embraces the economic, environmental and social aspects of a company's activities (Anonymous, 2009; Ackers, 2009; Cliffe Dekker, 2002; Da Piedade & Thomas, 2006; Jhaveri, 1998; King, 2006; Marx, 2008; Mitchell, Curtis & Davidson, 2008; Naidoo, 2009; O'Carrol, 2009; Paris, 2006; Pearce & Doh, 2005). Corporate governance developments over the years have also placed an increased emphasis on sustainability and stakeholder inclusivity and in this regard the third King Report on Corporate Governance for South Africa (hereafter King III), which became effective 1 March 2010, remarks that "Sustainability is the primary moral and economic imperative of the 21st century and one of the most important sources of both opportunities and risks for businesses and state that it is also expected of organisations to be, and be seen to be, responsible corporate citizens: this is described as involving "social, environmental and economic issues – the triple context in which companies in fact operate" (IoD, 2009:11-12, 23, Principle 1.2).

Strategy, risk, performance and sustainability have become inseparable and accordingly effective leadership is critical to sustainability and company success. A board of directors (hereafter referred to as the Board) should not make decisions based only on an organisation's present needs, as this may compromise the ability of future generations to meet their own needs: boards should embrace the notion of integrated sustainability performance and reporting (IoD, 2009, Principle 2.2). Sustainability also makes business sense and is directly related to shareholder and stakeholder value (Engelbrecht, 2009; IoD, 2009; Mammatt, 2008; Naidoo, 2009; Van Altena, 2009). Against this background it is evident that boards have a critical role to play to ensure that organisations conduct their business in a responsible and sustainable manner, and further provide accurate, relevant, reliable and credible reporting to their stakeholders on their economic performance, concerning their social, environmental and governance performances and achievements (Dawkins & Ngunjiri, 2008; IoD, nd; Global Reporting Initiative (hereafter GRI), 2006; Mammatt, Marx & Van Dyk, 2010; Mitchell, et.al, 2008; Naidoo, 2009; Tregidga & Milne, 2007). King III describes this as follows: "the board's role is to set the tone at the top so that the company can achieve this integrated performance" (IoD, 2009:12).

The remainder of this paper is organised as follows: the next section presents the objectives, scope and limitation underpinning the study. The sections that follow describe the theoretical background of the paper, the methodology applied and the empirical findings and deductions.

Recommendations drawn from the study and areas identified for future research are then provided, with conclusions presented in the last section.

2. OBJECTIVES, SCOPE AND LIMITATIONS

The objective of the paper is twofold: to provide a brief overview of the development of corporate citizenship, stakeholders, sustainability and sustainability reporting and the board's role in this regard; and, secondly, to provide evidence regarding the board's commitment to sustainability as disclosed in a company's sustainability reporting. This is done through a literature review of current corporate governance and sustainability developments and practices. This review is supported by empirical evidence obtained from an assessment of the sustainability reporting of companies listed on the Johannesburg Stock Exchange (hereafter JSE) Limited's Socially Responsible (hereafter SRI) Index.

The study has two specific limitations: firstly, the assessment is limited to those companies listed on the SRI index, and the findings might not necessarily be representative of the sustainability reporting practices of non-SRI-listed companies, unlisted entities or public sector institutions; and, secondly, the content analysis techniques of annual and sustainability reports might have specific limitations. Content analysis has limitations, such as the risk of capturing an incomplete picture of the company's business (as noted by Unerman, 2000:667), but is also a widely recognised and accepted research instrument (Ackers, 2009; April, Bosma & Deglon, 2003; Barack, 2010; Brennan & Solomon, 2008; Dawkins & Ngunjiri, 2008; Mirfazli, 2008). The limiting of the study to the assessment of sustainability reporting in the annual reports, sustainability reports and company websites is justified, as such reports are considered important corporate governance and stakeholder documents produced by companies through which they communicate with their investors, as well as their stakeholders at large (Abeysekera, 2007; Bartlett & Chandler, 1997; Boesso & Kumar, 2007; De Villiers, 2004; GRI, 2002; Stainbank & Peebles, 2006; Wiseman, 1982). This is further supported by King III, which emphasises the importance of integrated reporting as a means of increasing the trust and confidence of corporate stakeholders and the legitimacy of a company's operations (IoD, 2009:13-14).

3. THEORETICAL BACKGROUND

3.1 Sustainability, stakeholder concepts and corporate citizenship

The concepts of sustainability, stakeholders and corporate citizenship have been the subject of discussion, debate and research for many years (cf. Adams & Larrinaga-Gonzalez, 2007; Dawkins & Ngunjiri, 2008; Mathews, 1997; Tregidga & Milne, 2004; Wheeler & Elkington, 2002 and the Non-Financial Reporting and Corporate Social Responsibility website (available from <http://www.nfrcsr.org/about/index.htm>)). The various corporate governance codes issued over the years also gave prominence to the need for businesses to behave in a responsible manner and to respect the society and the environment in which they do business (for corporate governance codes issued internationally, see the website of the European Corporate Governance Institute at http://www.ecgi.org/codes/_all_co_des.php). Sustainability issues, in South Africa as well as internationally, have gained in importance since the publication of King II (IoD, 2002), which advocated a shift from the single bottom line of profits only, to that of corporate citizenship, sustainability and triple bottom line reporting. These principles have also gained

momentum internationally through the publications, recommendations and guidelines issued by various institutes, professional bodies and other interested parties (IoD, 2009:11; Naidoo, 2009:245-247).

Sustainable development is a complex notion that seeks to reconcile the goals of economic development and ecological and social well-being. It is widely accepted that the idea originated and was popularised by the United Nations' World Commission for Environment and Development Report (hereafter WCED), *Our Common Future* (or commonly referred to as the *Brundland Report*), which defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Livesey, 2002:315-317; Naidoo, 2009:246; WCED, 1987:43). Various similar definitions have over the years been offered for "sustainability" and "sustainability reporting", with King II introducing the concept of sustainability into corporate governance (IoD, 2002:91, section 4) and defining it as follows: "This means that each enterprise must balance the need for long-term viability and prosperity – of the enterprise itself and the societies and environment upon which it relies for its ability to generate economic value – with the requirement for short-term competitiveness and financial gain". King III, the most recent of the South African corporate governance reports issued to date, has built upon these concepts and now describes sustainability as follows: "the sustainability of a company means conducting operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. It means having regard to the impact that the business operations have on the economic life of the community in which it operates. Sustainability includes environmental, social and governance issues" (IoD, 2009:126). Sustainability reporting has evolved from the need to communicate with stakeholders regarding the organisation's sustainability activities and performance, and is best described by the GRI reporting guidelines (2006:37, 40) as "the practice of measuring, disclosing, and being accountable for organisational performance while working towards the goal of sustainable development". The GRI guidelines define a sustainability report as "a single, consolidated disclosure that provides a reasonable and balanced presentation of performance over a fixed period". The GRI guidelines are highly regarded and widely used as guidance for what sustainability information companies should report (IoD, 2009; Hartman & Painter-Morland, 2007; Jones & Solomon, 2010; Rea, 2009). King III now requires that sustainability reporting and disclosure be integrated with the company's financial reporting (principle 9.2) and defines integrated reporting as: "the holistic and integrated representation of the company's performance in terms of both its finances and its sustainability" (IoD, 2009:121). Sustainability reporting should be widely and easily accessible to stakeholders and is generally provided through the medium of electronic disks, web-based reporting and paper reports (Cuganesan, Ward & Guthrie, 2006; Ernst & Young, 2009:6; GRI, 2006).

The concepts of the stakeholder and of stakeholder engagement have also been widely discussed and researched over the years. One of the first definitions was that of Freeman (as quoted by Breckenridge, 2004:27), who defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation's objectives." The GRI (2006:40) defines stakeholders broadly as "those groups or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products, and/or services; or whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives". Mervyn King, who chaired the King Committee, has a totally different definition for stakeholders, whom he defines as "the licensors of the business of the company". King goes on to state that "today, the licensor of a business is

not only the regulator who grants the company the licence to operate its business. There are always other licensors – for example, standard-setting or industry bodies; the media; the individual stakeholders linked to the company through its business such as its customers, employees, suppliers, pressure groups, public opinion makers, politicians etc. Any one of these licensors could impact positively or negatively on a business and will definitely be needed when the inevitable downturn is being corrected” (King, 2006:21). King III advocates that a stakeholder-inclusive corporate governance approach should be followed that “recognises that a company has many stakeholders that can affect the company in the achievement of its strategy and long term sustained growth” (IoD, 2009:100). Stakeholder engagement is widely accepted as the foundation of corporate social responsibility and an important mechanism for assisting the organisation in identifying risks and opportunities in relation to current and emerging issues (Gilman, 2009:9). It will also contribute to addressing stakeholders’ perceptions and lead to better stakeholder communication and reporting (IoD, 2009:100).

The concept of corporate citizenship is based on the assumption that an organisation is a person, and, like an individual citizen, should act with integrity and in a socially responsible manner (IoD, 2009:11; Smith, 1996:11). Maighan, Ferrell and Hult (1999:456) understand corporate citizenship to designate the activities and organisational processes adopted by businesses to meet their social responsibilities. These and other meanings and definitions attributed to corporate citizenship have crystallised in the meaning attributed thereto in King III: “responsible corporate citizenship implies an ethical relationship of responsibility between the company and society in which it operates. As responsible corporate citizens of the societies in which they do business, companies have, apart from rights, also legal and moral obligations in respect of their economic, social and natural environments. As a responsible corporate citizen, the company should protect, enhance and invest in the wellbeing of the economy, society and the natural environment” (IoD, 2009:117).

It should also be noted that corporate citizenship, stakeholder engagement and sustainability reporting are imperative to ensure the long-term success and continuing existence of an organisation, but they also bring immediate benefits such as increased investor interest, a better corporate reputation and, possibly, an increased customer base (Ernst & Young, 2008c:2). They also ensure financial gains resulting from cost savings through operational and energy efficiency, revenue opportunities through energy and carbon trading and new product development and green marketing (Ernst & Young, 2008a:5-6).

3.2 The board’s responsibility for sustainability

Sustainability and sustainable development are changing business culture and society, with the global challenge of ensuring that organisations’ sustainable development practices reverse the previous erosion of natural resources and improve their environmental, social and economic performance (International Federation of Accountants (IFAC), 2010). The key challenge for organisations’ leadership is to make sustainability mainstream (IoD, 2009:13), and in the words of Mervyn King for “directors to realise that in carrying out their duties they have to make sure that the sustainability of the business is considered in terms of the assets of planet earth – air, land and water” (Roberts, 2010:14-15). Accordingly, the board needs to provide effective leadership, and, as part of setting the strategic direction of the organisation, needs to take into account all aspects that may affect its ability to achieve its strategic objectives and organisational success, including that of sustainable development (IoD, n.d.:3). Lindie Engelbrecht (Chief Executive of the IoD in South Africa) describes this as follows: “leaders need

to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviour with regards to sustainable performance" (Engelbrecht, 2009:4-5). King III (IoD, 2009) emphasises the board's responsibility regarding sustainability by including the following principles in the Code: "The board should provide effective leadership based on an ethical foundation" (Principle 1.1); "The board should ensure that the company is and is seen to be a responsible corporate citizen" (Principle, 1.2); and "The board should appreciate that strategy, risk, performance and sustainability are inseparable" (Principle 2.2). The King Report introduced the concept of integrated reporting, meaning a holistic and integrated representation of the company's performance in terms of both its finance and sustainability (IoD, 2009:13-14, 121), and also acknowledged the excellent guidance on sustainability reporting provided in the GRI reporting guidelines (IoD, 2009:109-110). It tasks the audit committee with the responsibility of overseeing the integrity of sustainability issues reported in the integrated report (IoD, 2009:60, 108-110). Directors also need to realise that sustainability aspects are more than just an ethical and moral responsibility for them, but a legal duty which, if neglected, can have serious consequences in the form of fines, penalties and even jail time (Jackson, 2008:13-14). King III also states that the Board should be "the ultimate custodian of the corporate reputation and stakeholder relationships" (IoD, 2009:100).

Directors should ensure that their sustainability reporting is accurate, relevant, transparent and reliable, and that it reflects the board's commitment to sustainability and sustainable performance (GRI, 2006; KPMG, 2010; Martinez & Crowther, 2008). Thus the reporting should include aspects such as a discussion of the organisation's profile, strategy, key impacts, risks, opportunities, and its commitment to sustainability and information on governance structures regarding sustainability. As stated above, this sustainability reporting should be available and easily accessible for use by the organisation's stakeholders, and accordingly boards should strive to ensure that sustainability reporting is provided through the medium of electronic disks, web-based reporting and paper reports.

4. METHODOLOGY

The board's commitment to sustainability as disclosed in its company's sustainability reporting was empirically tested through a content analysis of the sustainability reports of the companies selected for review.

4.1 Population

The population for the empirical study was selected as the companies listed on the JSE's SRI Index. The Index was launched in May 2004 in response to the growing awareness of sustainability globally and particularly in South Africa, and has since been a driver for increased attention to responsible investment in emerging markets (JSE, 2009a). The eligible universe for the SRI Index is the FTSE/JSE All Share Index. All companies in the FTSE/JSE Top 40 Index or the FTSE/JSE Mid Cap Index will automatically be assessed, while other companies can elect to be voluntarily assessed for possible inclusion in the Index. Companies are assessed against criteria across the triple bottom line (environment, society and economy) as well as governance criteria. Assessments take place annually during the second half of the year, with the results announced at the end of November each year (JSE, 2009b). While the Index constituency is still dominated by the Top 40 companies (55.7% for 2008), there has been increasing success by medium-sized and smaller companies (JSE, 2009c).

4.2 Content analysis of sustainability reports

The most recently available sustainability reporting of the companies in the population, as contained in the annual reports, sustainability reports and company websites, was inspected between 14 and 31 August 2009. The sustainability reports of all the companies in the population were inspected (100% coverage). The names of the companies in the population are listed in **Annexure A**.

As noted in section 2 of the article, the limiting of the study to the assessment of sustainability reporting in the annual reports, sustainability reports and company websites is justified, as such reports are considered important corporate governance and stakeholder documents. They are the means by which companies communicate with their investors, as well as their stakeholders at large (Abeysekera, 2007; Bartlett & Chandler, 1997; Boesso & Kumar, 2007; De Villiers, 2004; GRI, 2002; Stainbank & Peebles, 2006; Wiseman, 1982). This is further supported by King III, which emphasises the importance of integrated reporting as a means of increasing the trust and confidence of corporate stakeholders and the legitimacy of its operations (IoD, 2009:113-114).

4.3 Research control

The research consisted of analysing the annual reports of the companies listed on the SRI. The analysis was performed using a checklist against which the assurance information of sustainability reporting was measured. The results were tabled and confirmed by an independent adjudicator to ensure their quality and accuracy.

5. RESEARCH FINDINGS AND INTERPRETATION

5.1 Incorporation of sustainability in the organisations' strategy, objectives and values

5.1.1 Objective of the analysis

The objective of this aspect of the analysis was to establish how many of the 60 companies listed on the SRI included sustainability in their strategy, objectives or values, or a combination thereof.

5.1.2 Findings and deductions

From **TABLE 1** it can be observed that 16 (26.67%) of the companies make no reference to sustainability anywhere in the company's strategic goals. This could be interpreted as an indication that these organisations do not view sustainability as a vital component of doing business. It is noted, however, that the remaining 44 (73.33%) do incorporate sustainability in their strategy, objectives and/or values, with five out of 60 companies incorporating sustainability in all aspects of their organisations' strategic goals.

This shows a firm commitment by these organisations to ensuring that their businesses are not simply focused on short-term financial objectives but also consider the long-term viability of their company.

TABLE 1: Incorporation of sustainability in organisations' strategy, objectives and values

	<i>Number</i>	<i>%</i>
Sustainability incorporated in strategy	9	15.00
Sustainability incorporated in objectives	7	11.67
Sustainability incorporated in values	9	15.00
Sustainability incorporated in a combination of strategy, objectives or values	14	23.33
Sustainability incorporated in strategy, objectives and values	5	8.33
Sustainability not incorporated in strategy, values and/or objectives	16	26.67
	60	100.00

Source: Sustainability reporting disclosure (own analysis)

This also supports the view of the IoD (n.d.:3) that the board needs to provide effective leadership, and, as part of setting the strategic direction of the organisation, needs to take into account all aspects that may affect the board's ability to achieve their strategic objectives and organisational success, including that of sustainable development.

5.2 Format and medium of disclosure of sustainability issues and stakeholder communication

5.2.1 Objective of the analysis

The objective of this aspect of the analysis was to establish in what format and through which media sustainability issues are reported and stakeholder communication effected. Options available to companies include the printed annual reports, the printed sustainability reports, the company website and a combination of such options.

5.2.2 Findings and deductions

TABLE 2: Format and medium of disclosure of sustainability issues and stakeholder communication

	<i>Number</i>	<i>%</i>
No disclosure of sustainability issues and stakeholder communication	12	20.00
Disclosure in printed annual report only	8	13.33
Disclosure in printed sustainability report only	28	46.67
Disclosure on company website only	1	1.67
Disclosure in a combination of printed annual report, printed sustainability report and/or company website	11	18.33
	60	100.00

Source: Sustainability reporting disclosure (own analysis)

From **TABLE 2** it is observed that 12 (20%) companies do not make any disclosure of sustainability issues or stakeholder communication. As is evident from the above findings, the majority of companies (46.67%) that made disclosure of sustainability issues and stakeholder communication do so in their printed sustainability reports.

Only 18.33% of companies use more than one medium to report on such issues to their stakeholders. For such companies, this indicates a maturity in understanding the needs of the users of such information. Many users would like to access company information easily and through an electronic medium. Therefore by using a combination of a printed report and a report accessible on their website, the companies should be meeting their stakeholders' needs.

5.3 Identification and analysis of board committee responsible for sustainability

5.3.1 Objective of the analysis

The objective of this aspect of the analysis was to establish whether the companies listed on the SRI Index disclose their board committees that take responsibility for sustainability issues, as well as to assess of the composition of such committees, if disclosed. The second aspect of this analysis was to establish whether the company has disclosed the qualifications of such a committee, and, thirdly, identified the chairman and the chairman's designation.

5.3.2 Findings and deductions

TABLE 3: Disclosure of board committee and committee composition

	<i>Number</i>	<i>%</i>
No disclosure of board committee or composition of committee	21	35.00
Disclosure of a board committee, no disclosure of composition of board committee	1	1.67
Disclosure of board committee indicates committee consists only of non-executive directors	23	38.33
Disclosure of board committee indicates committee consists only of executive directors	3	5.00
Disclosure of board committee indicates committee consists only of other members (such as legal experts etc.)	1	1.67
Disclosure of board committee indicates committee consists of a combination of executive directors, non-executive directors and/or other members	11	18.33
	60	100.00

Source: Sustainability reporting disclosure (own analysis)

From **TABLE 3** it is noted that the majority of companies (65%) disclose a committee for sustainability as well as the composition of such a board, with only 21 companies (35%) making no such disclosure. Furthermore, the vast majority of companies with such committees have representation of independent non-executive directors or independent external specialists

serving on such board committees, as only three companies (5%) have a committee comprising only executive directors. This shows a strong commitment to ensuring that sustainability is dealt with in an objective manner by these organisations.

TABLE 4: Disclosure of qualifications of board committee

	<i>Number</i>	<i>%</i>
No disclosure of qualifications of board committee	58	96.66
Qualifications are disclosed and committee members include environmental and legal experts	1	1.67
Qualifications are disclosed and committee members include legal experts	1	1.67
	60	100.00

Source: Sustainability reporting disclosure (own analysis)

TABLE 4 indicates that the vast majority of companies (96.67%) make no disclosure of the qualifications of the members of their board committees responsible for sustainability issues. Only two companies disclose the members' qualifications, and in these cases they are environmental and legal experts. As such a committee deals with specialised and sensitive issues, these committees should comprise knowledgeable and skilled persons who can make a valuable contribution to sustainability issues.

TABLE 5: Disclosure of chairman of board committee for sustainability

	<i>Number</i>	<i>%</i>
No disclosure of chairman	50	83.33
Chairman is disclosed and is an executive director	3	5.00
Chairman is disclosed and is a non-executive director	7	11.67
	60	100.00

Source: Sustainability reporting disclosure (own analysis)

Once again, it is noted from **TABLE 5** that most companies made no disclosure of the chairman of the board committee responsible for sustainability issues. Three companies (5%) have executive directors as chairmen of the committee, showing a lack of commitment to independence and objectivity on this committee. Only seven companies (11.67%) have non-executive chairmen of the board committee, indicating that these companies have a commitment to ensuring that sustainability issues are treated objectively and without bias.

5.4 Identification and analysis of management committee responsible for sustainability

5.4.1 Objective of the analysis

The objective of this aspect of the analysis was to establish, firstly, whether the companies listed on the SRI Index disclose management committees that take responsibility for

sustainability issues, and, secondly, the occurrence of the disclosure of the composition of this committee. The third aspect of this analysis was to establish whether the company that has identified a management committee responsible for sustainability issues has disclosed the qualifications of such a committee. Lastly, the identification of the chairman of the committee and the chairman's designation will be investigated.

5.4.2 Findings and deductions

TABLE 6: Disclosure of management committee and committee composition

	<i>Number</i>	<i>%</i>
No disclosure of management committee, composition of committee or board committee	18	30.00
No disclosure of management committee or composition of committee but disclosure of a board committee	30	50.00
Disclosure of a management committee and a board committee and their composition	9	15.00
Disclosure of a management committee without disclosure of composition of committee	1	1.67
Disclosure of a management committee and disclosure of composition of committee	2	3.33
	60	100.00

Source: Sustainability reporting disclosure (own analysis)

From **TABLE 6** it can be observed that 30% of companies make no disclosure of a committee, whether a board or management committee, that takes responsibility for sustainability issues. What is further noted is that 50% of companies have a board committee that is accountable for sustainability issues. Furthermore, nine companies (15%) show a strong dedication to sustainability issues by having both a board and management committee that can address sustainability for their organisations to ensure that these issues are appropriately dealt with. Thus only 12 (20%) companies identify a management committee responsible for sustainability issues.

TABLE 7: Disclosure of composition of management committee

	<i>Number</i>	<i>%</i>
Members are executive directors only	2	16.67
Members are non-executive directors only	3	25.00
Members are a combination of non-executive and executive directors and management	6	50.00
No disclosure of management committee composition	1	8.33
	12	100.00

Source: Sustainability reporting disclosure (own analysis)

From **TABLE 7** it can be observed that half of the companies (50%) have management committees tasked with sustainability issues and that these committees consist of a combination of executive and non-executive directors and management. However, such companies should consider including independent external experts in this committee to ensure a full understanding of sustainability issues and to be able to adequately identify and deal with such issues relevant to their organisations.

TABLE 8: Disclosure of qualifications of management committee

	<i>Number</i>	<i>%</i>
No disclosure of qualifications of management committee	10	83.34
Qualifications are disclosed and committee members include environmental and legal experts	1	8.33
Qualifications are disclosed and committee members include legal experts	1	8.33
	12	100.00

Source: Sustainability reporting disclosure (own analysis)

Once again it can be observed from **TABLE 8** that the vast majority of companies (83.34%) make no disclosure of the qualification of the members of their management committees responsible for sustainability issues. And, again, only two companies disclose the members' qualifications. These qualifications are principally of a legal and environmental nature and are the same qualifications of the board committees set out in **TABLE 4**. Therefore, companies should strive to ensure that any committee tasked with sustainability issues is composed of suitable skilled and knowledgeable members. This should result in the committee being able to play a valuable role in dealing with sustainability issues.

TABLE 9: Disclosure of the designation of the chairman for management for sustainability

	<i>Number</i>	<i>%</i>
No disclosure of chairman	2	16.67
Chairman is disclosed and is an executive director	3	25.00
Chairman is disclosed and is a non-executive director	7	58.33
	12	100.00

Source: Sustainability reporting disclosure (own analysis)

The results of this analysis in **TABLE 9** echo the results of the analysis of the designation of chairmen of the board committees responsible for sustainability. Three companies (25%) have executive directors as chairmen of the committee, showing a lack of commitment to independence and objectivity on this committee. Once again, seven companies (58.33%) have non-executive chairmen of the board committee, indicating that these companies have a commitment to ensuring that sustainability issues are treated objectively and without bias.

6. RECOMMENDATIONS AND AREAS FOR FUTURE RESEARCH

Given the results of this study, it is recommended that boards give careful consideration to their leadership role regarding sustainability and how they exercise their responsibility in this regard. It is also essential that sustainability should be mainstream and incorporated into the organisation's business strategies, objectives and values. It is further recommended that boards form a sustainability committee, properly constituted of members with the required knowledge and experience, to direct and take responsibility for overseeing the organisation's sustainability activities and performance. Boards should also ensure that accurate, reliable and transparent reporting is provided to their stakeholders on their financial and sustainability performance and achievements, as well the board's role and responsibility in this regard. The study focused on companies listed on the JSE's SRI Index and was also performed prior to the implementation of King III. Accordingly it is recommended that an analysis similar to the one undertaken here should be performed on reporting periods after King III became effective in order to assess the impact thereof on sustainability reporting and the role of the board of directors. It is also recommended that this research study be extended to listed companies not on the SRI Index, unlisted and smaller companies and public sector entities.

7. CONCLUSION

With the increased focus on sustainability and a society centred on corporate accountability, boards have a critical role to play to ensure that organisations conduct their business in a responsible and sustainable manner, and provide accurate, reliable and credible reporting to their stakeholders.

The study found that sustainability and sustainability reporting are widely researched and advocated in the literature, and that many companies report a commitment to sustainability, but that reports lack specific detail concerning the board's responsibility for and commitment to sustainability.

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ANNEXURE A:

NAMES OF COMPANIES IN THE POPULATION WHOSE SUSTAINABILITY REPORTS WERE INSPECTED

ABSA Group Limited	JSE Limited
AdvTech Limited	Kumba Iron Ore
African Bank Investments Limited	Liberty Group Limited
African Oxygen Limited	Liberty International plc
African Rainbow Minerals	Lonmin
Allied Electronics Corporation Limited	Massmart Holdings Limited
Allied Technologies Limited	Medi-Clinic Corporation Limited
Anglo American plc	Merafe Resources Limited
Anglo Platinum Limited	Metropolitan Holdings Limited
AngloGold Ashanti Limited	Mondi
Aveng Limited	MTN Group Limited
Barloworld Limited	Murray & Roberts Holdings Limited
BHP Billiton plc	Nampak
The Bidvest Group Limited	Nedbank Group Limited
Brait SA	Netcare
Capitec (deleted from the index on 19/12/2008)	Northam Platinum Limited
Discovery Holdings Limited	Oceana Group Limited
Exxaro Resources Limited	Old Mutual plc
Firststrand Limited	Pick n Pay Holdings Limited
Foschini	Pretoria Portland Cement Company Limited
Gold Fields Limited	Remgro Limited
Grindrod Limited	SAB Miller plc
Group Five Limited	Sanlam Limited
Harmony Gold Mining Company Limited	Santam Limited
Highveld Steel and Vanadium Corporation Limited	Sappi Limited
Hulamin	Standard Bank Group Limited
Illovo Sugar Limited	Sun International Limited
Impala Platinum Holdings Limited	Telkom SA Limited
Investec Limited and Investec plc	Tongaat Hulett
	Truworths International
	Woolworths Holdings Limited