

DIRECTORS' ***SUSTAINABILITY*** **IMPERATIVES**

Best Practice Guidelines for
'Non-Financial' Matters

compiled by



African Environmental Solutions (Pty) Ltd

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More information about Coega and their sustainability management is available on www.coega.com.



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INTRODUCTION

The King Code

The Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002 applies to:

- All listed companies on the JSE Securities Exchange
- Large public entities
- Banks, financial and insurance entities
- Large unlisted public companies.

The Report suggests, however, that all companies should be encouraged to adopt and implement the Code.

This Code is different from its predecessor, because of the emphasis on what it calls the 'sustainability' aspects of corporate governance. They include safety, health, the environment and social and ethical issues. Many companies may already be practising some or all of these 'non-financial' stipulations of the new Code; some, perhaps less well endowed with resources or networks, might value guidance as to what constitutes best practice in this area.

Purpose of the Guidelines

These guidelines are intended to assist those companies committed to lifting their sustainability performance to the levels envisaged in the Code, by outlining a number of best practices. The compilers had small and medium-sized listed companies in mind as they prepared the guidelines, but the practices should be robust throughout the spectrum of listed companies.

The aim is to highlight generally accepted practices in the identified areas, rather than to offer a comprehensive standard. References to available standards will be provided where applicable.

Design of the Guidelines

Both the 2002 King Code and the Commonwealth Association for Corporate Governance (CACG) guidelines¹ were considered during the development of the guidelines. Six key areas were identified, from which twelve sustainability imperatives for directors were derived. The inclusion of the CACG guidelines allows the best practices recommended hereafter to meet international norms of corporate governance.

¹ Commonwealth Association for Corporate Governance, (Nov 1999), "CACG Guidelines, Principles for Corporate Governance in the Commonwealth."

Sustainability as a 'Non-Financial' Matter

The relationship between the imperatives, the 2002 King Code and the CACG guidelines is represented in the following table:

IMPERATIVE KEY AREAS	2002 KING CODE (Para 6 applies throughout)	CACG GUIDELINES
Board Accountability	Para 2.1, 2.2, 2.4, 2.7, 2.8, 2.10, 3.3, 9	Principles 1, 2, 9, 11 and 12
Values and Strategy	Para 2.1, 9	Principle 3
Risk Management	Para 2.1, 5.1, 5.2, 7	Principles 14 and 15
Management Systems	Para 3.1, 5.2	Principle 5 and 10
Performance Monitoring and Reporting	Para 2.1, 3.2, 5.2, 6	Principles 4 and 13
Stakeholder Interaction	Para 2.1, 8 and 9	Principles 6, 7 and 8

Two imperatives were identified for best practice guidelines in each key area. Each imperative carries a *Title*, followed by a description of that imperative. The *Rationale* or background for the imperative is provided, as are the *Outcomes* that can be expected when that imperative is implemented. *References* to further reading and background information complete the best practice guideline for each imperative.

The King Report adopts the term 'sustainability' to refer to what is also called business' social responsibility. In 1987, the World Commission on Environment and Development formally used the term 'sustainable development' to refer to such matters. Subsequently, the Bruntland Report also adopted it. Today, in business, the term sustainability is becoming accepted. Sustainability has also become the basis for international standards such as the Global Reporting Initiative's Sustainability Reporting Guidelines, launched in June 2000.

Sustainability can be defined as:

A concept which encompasses the integration of social, ethical, economic, environmental, health and safety factors into planning, implementation and decision making to ensure the organisation serves both present and future generations.

These guidelines have adopted the term sustainability, since its use is increasing internationally.

Background to Sustainability

The concept of sustainability is derived from the words 'sustainable development', which became a legally accepted term in international law at the United Nations Conference on Environment and Development (the so-called Earth Summit) held in Rio de Janeiro in 1992. In this context, it refers to "development which meets the needs of present generations without compromising the ability of future generations to meet their own needs". More recently, however, the concept has been simplified to mean the achievement of balanced and integrated economic, social and environmental performance in a business context, and is known as the 'triple bottom line'. The following are examples of what might be included in each sphere:

Adapted from the Sustainability Reporting Guidelines, Global Reporting Initiative

Economic • Payroll expenses, labour productivity, job creation, expenditures on outsourcing, expenditures on research and development, and investments in training and other forms of human capital. The economic element includes, but is not limited to, financial statements and related disclosures.

Environmental • Impacts of processes, products and services on air, water, land, biodiversity and human health, as well as the extent of consumption of critical natural resources.

Social • Workplace health and safety, employee turnover, labour rights, human rights, impacts on communities' health and well-being, and wages and working conditions at outsourced operations.

The value of sustainability or the triple bottom line lies in the emphasis on integration of these various aspects. Because the traditional emphasis of corporate governance has been on the financial aspects, the use of the word sustainability in these guidelines will tend to emphasise the 'non-financial' elements, which should be integrated into all the other business issues and processes.

Sustainability and the Law

Importantly, sustainability or sustainable development was adopted into South African law through the Constitution of the Republic of South Africa Act 108 of 1996. This gave rise to the National Environmental Management Act 107 of 1998 and other related legislation, which embodied the concept of the 'triple bottom line'.

South African law, and in particular our statutory law, requires directors to exercise due diligence with respect to the impacts that the companies they manage have or may have on the environment or on sustainable development. The statutory definition of the terms ‘environment’ and ‘sustainable development’ incorporate the elements of environment, health, safety and social concerns. The failure to exercise due diligence can result in directors facing personal liability for the harm caused by the company’s acts or omissions. The law places an obligation on both past and present directors to take all reasonable steps that were or are necessary to prevent the commission of an offence in terms of the environment or sustainable development.

Our common law is not far behind. Although not dealing directly with sustainability issues, recent case law has clearly indicated that directors are obliged to take a wider group of stakeholders into account when making company decisions. Their function is no longer restricted to making profit for their shareholders. Business’ responsibilities to society as a whole have also received the lawmakers’ attention.

Conclusion

These developments are taking place against the background of a global trend towards revisiting the meaning and ambit of a director’s fiduciary duties and the development of the concept of corporate governance. Many foreign jurisdictions have already set benchmarks for the level of environmental and social due diligence to be exercised by directors. This has not yet happened in South Africa, where the ‘reasonable steps’ which directors are obliged to take have not been clearly defined, either statutorily or in terms of judicial precedent.

If these guidelines assist companies to position themselves optimally and responsibly in the global and local business environment, our endeavours will have been well rewarded.

Compilers

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BOARD ACCOUNTABILITY

Directors' roles, responsibilities, capacity & performance

IMPERATIVE

All directors have sufficient training, awareness and competence to discharge their sustainability roles and responsibilities effectively. They are conversant with the statutory and regulatory requirements affecting the direction of the corporation and the society in which it operates.

RATIONALE

Effective boards include a mix of proficient executive and non-executive directors, appointed with the corporation's strategic considerations and objectives like sustainability in mind. Continuous change is now the norm in business, and it is the responsibility of each director to continually and systematically add to his/her knowledge and expertise so as to contribute to the success and prosperity of the business enterprise. The chairman should also ensure that all directors are encouraged to play a full role in the board's activities, including its sustainability related activities.

OUTCOMES

- Directors' sustainability duties, responsibilities and powers are clearly defined so that directors can receive the necessary guidance on these aspects from the company secretary.
- Formal briefings and training for directors on their sustainability roles and responsibilities occurs.
- New directors are inducted in terms of their fiduciary duties and responsibilities, as well as the board's expectations. A formal orientation programme, which covers sustainability aspects for directors and senior managers, is offered.
- With the help of the board's sustainability appointee, the chairman regularly reviews the board's collective and individual sustainability development needs and addresses them through appropriate development programmes.
- Directors appreciate the broader responsibility of the enterprise to society and the expectations and rights of its various stakeholders.
- Regular briefings by leaders in the field are given to directors on current sustainability issues and incidents, both locally and internationally.
- Incompetent or unsuitable directors are removed, taking legal and other matters into consideration.

REFERENCES

- CACG, 1999, Preface and Introduction to CACG Guidelines
- Director Action on Safety and Health (DASH), 1999, "A New Initiative: Background Paper"

- Institute of Directors (IoD), 1999, "Standards for the Board," Good Practice for Directors Series
- Institute of Directors (IoD), 1998, "Good Boardroom Practice: Assessing Board Effectiveness" - a series of survey reports on key boardroom issues
- KPMG, 2002, "Toolkit for the Company Director"
- PricewaterhouseCoopers, 2000, "Being a director: Duties and Responsibilities," Corporate Governance Series

Effective delegation of board responsibilities

IMPERATIVE

The board ensures that its sustainability responsibilities are properly delegated and that strategies and policies are implemented through the effective use of a board representative for sustainability, a dedicated board committee for sustainability, and senior management.

RATIONALE

When an individual director is responsible for bringing sustainability issues to the attention of the board, its members are able collectively to add value and bring independent judgement to bear on the decision-making process.

It is good practice for boards to create and maintain board committees. These committees ensure that management reports on the agreed performance indicators and identified risks and controls.

Through the formal appraisal of senior management's performance and rewards that reflect sustainability achievements, the board sets the tone for continuous improvement and commitment to its strategy and goals throughout the organisation.

OUTCOMES

Board Sustainability Representative

- A member of the board is appointed as the board's sustainability representative without compromising the board's overall sustainability responsibilities and accountability.
- The board's expectations from this appointee, his/her responsibilities and the board's support role are formally documented.

Board Sustainability Committee

- A board committee for sustainability is established, chaired by the sustainability representative. It ensures proper implementation of sustainability policy and strategy throughout the organisation.
- A written mandate or charter is developed and maintained.
- The audit committee or other appropriate board committee reviews sustainability issues where the nature of an organisation's operations does not justify a separate sustainability committee.

Senior Management

- Competency criteria for senior management positions are established and include the sustainability dimensions.
- Roles, responsibilities and authorities, especially of those personnel who manage or perform activities having an effect on the risks and sustainability of the organisation, are defined, documented and communicated.
- The performance of the chief executive officer and senior managers is appraised annually. Such appraisals consider their commitment to, and active involvement in, the continual improvement of sustainability performance.
- The rewards of the CEO and senior managers reflect the performance appraisal results, with sustainability issues having appropriate weighting.

REFERENCES

- Ernst & Young, 1999, "The Independent Director: The Role and Contribution of Non-executive Directors"
- Institute of Directors (IoD), 1999, "Standards for the Board," Good Practice for Directors Series
- KPMG, 2002, "Toolkit for the Company Director"
- PricewaterhouseCoopers, 2000, "Being a Director: Duties and Responsibilities," Corporate Governance Series

VALUES AND STRATEGY

Aligning and embedding values and principles

IMPERATIVE

Directors should ensure that sustainability issues are incorporated into the organisation's values and guiding principles.

RATIONALE

The King Code and CACG Guidelines address values and strategies which allow directors to incorporate ethical principles into the day-to-day operations of the organisation. Sustainability includes the consideration of a company's profits, as well as its social and environmental responsibilities and opportunities. These three criteria need to be balanced and this sense of balance should be reflected in the company's principles.

A company's reputation and value is dependent on the way its own values are practised within the organisation and how they are reflected in its behaviour.

OUTCOMES

The company's formal set of values and/or principles will reflect its position on each of the sustainability elements relevant to its business.

The company should be able to demonstrate that its set of values and/or principles:

- is regularly reviewed and audited;
- shows evidence of having considered stakeholder values in setting its own values;
- is used in decision making;
- is communicated both internally and externally.

REFERENCES

- Constitution of the Republic of South Africa, 1996
- United Nations, 1999, "Global Compact"

Informing strategic planning and policy formulation

IMPERATIVE

Directors should include the consideration of sustainability issues in their strategic planning and policy formulation.

RATIONALE

The consideration of sustainability issues by directors can reveal new opportunities for the company. Ignoring these opportunities could weaken its competitive position. In addition, if sustainability issues are not considered, both the company and its directors may be held liable for failing to act with due diligence.

Markets are changing as sustainability issues gain importance, which gives rise to the need for products to incorporate sustainability principles into their designs and life cycles.

Businesses are required to meet social, environmental, health and safety standards. Benchmarking performance is regarded as essential by leading companies, and investors are screening companies to check their performance in these areas.

Companies are at risk if sustainability issues are not factored into their strategic plans and policy formulation.

OUTCOMES

- The company's strategic plan will be the outcome of a formalised process that realistically considers its own strengths and weaknesses, as well as the opportunities and threats it faces.
- Records of directors' strategic planning meetings will reflect issues considered and decisions taken concerning sustainability issues associated with the company, including the sustainability implications of the plans.
- The company will have, and will implement, a realistic policy on sustainability.
- There will be appropriate evidence that the company has reviewed and benchmarked its policy and strategies.
- There will be appropriate evidence that the company has addressed each of the sustainability elements in setting its policy and strategies.
- The company will report on its own performance against its policy and strategies on a regular basis.

REFERENCES

- International Organisation for Standardisation, ISO 14000 Standard Series on Environmental Management
- KPMG, 2002, "Beyond Numbers: How Companies are Linking Values and Value"
- SA National Environmental Management Act No. 107 of 1998
- Wayne Visser and Clem Sunter, *Beyond Reasonable Greed: Why Sustainable Business is a Much Better Idea!*, Human & Rousseau / Tafelberg, 2002

RISK MANAGEMENT

Assessment of Risks and Opportunities

IMPERATIVE

The significant risks and legal requirements associated with each sustainability element are identified and considered as the organisation's business objectives are established. Furthermore, the organisation establishes, reviews and periodically tests its plans and procedures, both to identify and respond to incidents and emergency response situations and to prevent and mitigate their impacts.

RATIONALE

Risks are those factors which could influence the enterprise, either positively or negatively, in achieving its business objectives. The primary concern of the corporation and its board is to enhance long-term shareholder value, while fulfilling the enterprise's broader economic, social and environmental responsibilities. To this end, the board must ensure that procedures for the ongoing identification of hazards, the assessment of risks and the implementation of adequate control measures exist to limit any negative impacts. Business risks should be benchmarked against industry norms to evaluate the corporation's performance.

OUTCOMES

- The organisation has proactive procedures for the:
 - ongoing identification of major hazards in each sustainability element;
 - assessment of associated risks and priorities;
 - implementation of controls for significant risks.
- The results of these assessments are prioritised to highlight where controls are necessary.
- Such controls and their purpose are up to date and documented as far as possible.
- An effective procedure exists to:
 - identify and access the legal requirements applicable to each sustainability element;
 - communicate up-to-date information to stakeholders;
 - register legal requirements.
- Business objectives throughout the organisation:
 - consider the risks and legal requirements related to sustainability elements;
 - are consistent with the board's sustainability policies;
 - include a commitment to continual improvement;
 - reflect industry norms and best practice for sustainability.

- Responsibility for managing sustainability risks is delegated to a competent person with direct access to the board.
- Emergency plans and procedures exist, are regularly reviewed and practised, and results are reported to the board.

REFERENCES

- OHSAS 18001 and OHSAS 18002, 1999, Standards on "Occupational Health and Safety Management Systems"
- Institute of Chartered Accountants in England & Wales, Sep 1999, "Internal Control: Guidance for Directors on the Combined Code" and "Implementing Turnbull: A Boardroom Briefing," Centre for Business Performance
- National Environmental Management Act 107 (NEMA), 1998, Principles

Adequate Provision for Sustainability Liabilities

IMPERATIVE

The board is aware of the corporation's liabilities caused by its sustainability obligations over the life cycle of its activities, products and services, and the necessary financial provision for such liabilities is made and communicated to stakeholders.

RATIONALE

Losses through company failures have wide ramifications. To limit these impacts it is better to deal proactively with situations that could lead to the failure of a company, or at best dramatically affect its performance. Sustainability issues come into this category. Directors must be aware of the sustainability threats, and take steps to safeguard the organisation.

Liabilities ensue when contingent liabilities are confirmed, by either a legal or constructive obligation (a promise made or expectation created by the organisation). Contingent liabilities, in turn, arise from potential risks that have a high probability of occurring.

OUTCOMES

- The activities, products and services that have a sustainability impact (significant potential risk) over their life cycle are identified.
- Processes exist to prompt directors to act expeditiously when they become aware of:
 - potential risks with a high probability of impact on the organisation's performance now or in the future (contingent liabilities);
 - existing legal or constructive obligations that may result in a liability for which provision must be made;
 - stakeholder concerns regarding any identified liability.
- The quantum and nature of any provision is properly assessed.
- The board has identified the liabilities associated with sustainability and is satisfied that there is sufficient provision for them.
- The stakeholders who should know of any provisions for liabilities and the best way of communicating such provisions are identified.
- Any financial provision for a liability is reported in the financial statements for the benefit of the shareholders.
- Provisions are also communicated to other stakeholders.
- Records of board deliberations regarding liabilities are maintained.
- Auditors approve financial liabilities.

REFERENCES

- Commission of the European Communities, 2000, "White Paper on Environmental Liabilities"
- International Accounting Standard (IAS) 37, "Provisions, Contingent Liabilities and Contingent Assets"
- Japanese Environmental Protection Agency (EPA), 1999, "Grasping Environment Cost Accounting"
- KPMG, 2002, "Environmental Liabilities: Paying for the Past, Providing for the Future" (www.kpmg.co.za)

MANAGEMENT SYSTEMS

Design and implementation of management systems

IMPERATIVE

Directors should ensure that appropriate management systems are in place and their requirements on sustainability issues are implemented, monitored and reported on by all relevant functions and levels within and outside the organisation.

RATIONALE

Statements of policy by directors need to be supported by an appropriate management system to ensure their correct implementation and ongoing improvement.

This management system must identify the company's sustainability risks and opportunities in each of its relevant elements and for all its activities, products and services. It should set objectives, targets and management programmes for each significant risk or opportunity.

Responsibilities should be assigned for the achievement of these targets, and appropriate training and awareness programmes put in place for people who could control aspects that have the potential to cause significant impacts. The company must ensure that adequate resources are provided to ensure that the management system is fully implemented and integrated with the organisation's standard business management systems. This will include the management of documentation and monitoring of performance, as well as the preparation of emergency procedures to handle conditions that may occur in any of its sustainability elements.

Performances should be regularly monitored against the targets, and the directors should receive quarterly reports on key sustainability performance indicators.

Corrective actions should be taken to overcome weaknesses in the system, which should be audited internally and externally to ensure that it is functioning correctly.

The directors and management should review the system on a regular basis to revise it in the light of changing stakeholder values and new legislation, and to ensure that audit findings have been implemented and improved objectives and targets are set.

OUTCOMES

- The company will have an externally certified and internationally recognised management system that addresses its sustainability issues.
- It will be able to demonstrate that this system is regularly reviewed by the directors and is driven by its sustainability policy, which includes a commitment to continuous improvement.
- The company will communicate on the effectiveness of its management system and issue an annual Sustainability Report that is made available to all its stakeholders.

REFERENCES

- Commission of the European Communities, 1993, "Eco-Management and Auditing Scheme (EMAS)"
- International Organisation for Standardisation, 1996, ISO 14001 Standard on "Environmental Management Systems", and related standards in the ISO 14000 series
- OHSAS 18001 and OHSAS 18002, 1999, on "Occupational Health and Safety Management Systems"

Providing assurance over management systems (auditing)

IMPERATIVE

Directors need to ensure that regular external audits are undertaken to provide them with the necessary assurance that their sustainability policy is being implemented and remains effective.

RATIONALE

Investors and stock exchanges seek assurance that a company's policies and management systems are aligned with best practice and are being implemented. An external audit will identify any gaps between what is written and what is actually happening within the company. This will help directors to ensure that their company implements its policies and that its management systems are effective.

Companies that have regular external certification audits of their management systems and performance will be able to demonstrate the extent to which they are meeting their objectives and targets. External audits are regarded as more reliable than internal audits, and will help the company to continuously improve its management systems and performance.

Audits form an excellent base for annual corporate sustainability reports.

OUTCOMES

- Regular internal and external audits of the sustainability management system are conducted.
- Evidence exists that the results of audits have been:
 - used to improve the management system;
 - communicated to internal and external stakeholders;
 - used by the board committees in their deliberations.
- Annual Sustainability Reports, preferably externally verified, are produced.

REFERENCES

- Ian Sampson (ed.), Oct 2000, *The Guide to Environmental Auditing in South Africa*, Butterworths Publishers
- Institute of Social and Ethical Accountability, 2000, AccountAbility (AA) 1000 Standard
- International Organisation for Standardisation, ISO 14010-12 Standards on "Environmental Auditing"

PERFORMANCE MONITORING AND REPORTING

Selection and monitoring of key performance indicators

IMPERATIVE

Directors should ensure that a core set of sustainability key performance indicators (KPIs) have been selected, using a risk-based approach, and that they are being adequately monitored and reported to the board.

RATIONALE

Monitoring and evaluation of company performance by the board is one of the principles of good corporate governance embraced by the CACG Guidelines, the revised King Code and many other corporate governance codes. This principle recognises that one of the keys to effective management is measurement of performance. Sustainability is an increasingly significant area which affects company performance and in terms of which companies are expected to perform, and monitoring of sustainability performance using key performance indicators is essential to ensure good governance in companies.

OUTCOMES

- A core set of quantitative corporate sustainability KPIs, aligned with the sustainability strategy and policy, based on appropriate benchmarks, formally documented and approved by the board.
- Board-approved documented procedures for regular monitoring and periodic review of the sustainability KPIs and evidence that they are being implemented.
- Evidence that the board formally reviews actual performance against the sustainability KPIs periodically (at least quarterly) and that appropriate responsive action is taken where required.
- Formal procedures to link performance against the KPIs to the appraisal and reward mechanisms of those staff that have responsibility and accountability for sustainability.

REFERENCES

- Global Reporting Initiative, 2002, "Sustainability Reporting Guidelines"
- International Organisation for Standardisation, ISO 14031 Standard on "Environmental Performance Evaluation"
- Pollutant Release and Transfer Registers, e.g. European Pollutant Emissions Register, Australian National Pollutant Inventory, and American Toxic Release Inventory
- Royal Society for the Prevention of Accidents (RoSPA), March, 2000, "Measuring and Reporting on Corporate Health and Safety Performance: A Consultation Paper," Contribution to the Director Action on Safety and Health (DASH)
- World Business Council for Sustainable Development, Eco-efficiency Measures (Various)

Internal and external reporting

IMPERATIVE

Directors should ensure that the company's sustainability performance is being reported to all its stakeholders in a manner that is comprehensive, transparent, credible and timely.

RATIONALE

Transparent communication with stakeholders is one of the principles of good corporate governance embraced by the CACG Guidelines, the revised King Code and many other corporate governance codes. There is a global trend towards increased public disclosure on sustainability, including the production of stand-alone, externally audited, annual sustainability reports. The rationale is that stakeholders who are interested in or affected by a company's performance have a right to credible information about its sustainability impacts, in order to make informed decisions in the context of their relationship to the company.

OUTCOMES

- Board approved documented procedures on corporate sustainability performance reporting, describing appropriate information, systems, media and messages for both internal and external stakeholders.
 - Evidence of a well designed and functioning sustainability information system that facilitates efficient and effective collection, collation, reporting, management and verification of sustainability performance data.
 - The production of regular internal sustainability performance reports (at least quarterly) for review by senior management and the board.
 - Disclosure of adequate sustainability performance information in the company's annual financial report, which is prepared primarily for the company's shareholders.
 - The production of annual, independently audited, public sustainability performance reports, which are accessible to and prepared primarily for the company's stakeholders.
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REFERENCES

- Institute of Social and Ethical Accountability, 2000, AccountAbility (AA) 1000 Standard
- KPMG, 2002, "International Survey of Corporate Sustainability Reporting"
- KPMG, 2001, "Survey of Sustainability Reporting in South Africa"
- KPMG et.al, 1999, "The Copenhagen Charter: A Management Guide to Stakeholder Reporting"
- Promotion of Access to Information Act 2 of 2000
- UNEP/SustainAbility, 1999, "The Internet Reporting Report" and "The Social Reporting Report"

STAKEHOLDER INTERACTION

Understanding stakeholder needs and expectations

IMPERATIVE

Directors should ensure that key stakeholder groups have been clearly identified and that their needs and expectations are well understood.

RATIONALE

Establishing and maintaining healthy relationships with stakeholders is one of the principles of good corporate governance embraced by the CACG Guidelines, the revised King Code and many other corporate governance codes. There is an international trend that holds companies accountable to wider groups of interested and affected parties than their shareholders. Stakeholder groups with particular interest in sustainability issues include employees, customers, suppliers, local communities, government, the media, civil society organisations, sustainability organisations, sustainability indexes and funds, financiers and investors.

OUTCOMES

- Documented profiles of the company's key sustainability stakeholders, including a description of their identity or characteristics, relationship to the company, values, expectations and information needs.
- Documented, board-approved procedures for periodically surveying and reviewing the needs, expectations and level of satisfaction of each sustainability stakeholder group.
- Inclusion of an update on sustainability stakeholder satisfaction as a standing agenda item at board meetings.

REFERENCES

- Council on Economic Priorities, 2000, Social Accountability (SA) 8000 Standard
- Institute of Social and Ethical Accountability, 2000, AccountAbility (AA) 1000 Standard
- Maria Sillanpää and David Wheeler, 1997, *The Stakeholder Corporation: A Blueprint for Maximizing Stakeholder Value*, Pitman Publishers
- United Nations, 1999, "Global Compact"

Establishing effective communication mechanisms

IMPERATIVE

Directors should ensure that the company is communicating transparently and effectively with its key stakeholder groups on sustainability issues.

RATIONALE

Communication with stakeholders is one of the principles of good corporate governance embraced by the CACG Guidelines, the revised King Code and many other corporate governance codes. This follows the international trend towards greater transparency by companies and more proactive engagement with their stakeholders. The rationale for this principle rests on the public's right to information on issues such as sustainability that may be infringing their constitutional rights. It also recognises that stakeholders who are involved and informed about a company's sustainability impacts and how they are being managed are more likely to be constructive in their relationship with that company.

OUTCOMES

- A corporate communication strategy that addresses the information needs of each sustainability stakeholder group, including internal and external stakeholders, and that identifies appropriate communication methods and media for each group.
- Documented, board-approved procedures for communications with each sustainability stakeholder group, together with a periodic review of their effectiveness.

REFERENCES

- Council on Economic Priorities, 2000, Social Accountability (SA) 8000 Standard
- Institute of Social and Ethical Accountability, 2000, AccountAbility (AA) 1000 Standard
- KPMG et.al, 1999, "The Copenhagen Charter: A Management Guide to Stakeholder Reporting"
- Maria Sillanpää and David Wheeler, 1997, *The Stakeholder Corporation: A Blueprint for Maximizing Stakeholder Value*, Pitman Publishers

African Environmental Solutions (AES)

This is a small private company involved in research and the management of environmental issues in the African context. The company concentrates on the management aspects of the processes that need to be followed to ensure a successful outcome of the incorporation of environmental issues into decision making. The company helps organisations to build their own capacity in this field so that they become less reliant on outside sources of expertise.

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Institute of Directors (IoD)

The Institute of Directors in Southern Africa is dedicated to improving the expertise, status and professionalism of directors in commerce, industry, foundations and the business professions. The Institute aims to bring the experience of directors to bear on the conduct of business and public affairs for the common good. The Institute of Directors in Southern Africa established in July 1993 the King Committee on Corporate Governance. The King Committee produced the first King Report on Corporate Governance which was published 29 November 1994. The first King Report was recognised internationally, when published, as the most comprehensive publication on the subject embracing the inclusive approach to corporate governance. The King Committee on Corporate Governance launched the King Report on Corporate Governance for South Africa - 2002 (King II Report) on 26 March 2002.

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KPMG Sustainability Services

KPMG Sustainability Services is a network of professionals specialising in the areas of environment, health, safety, ethics, social accountability and certification, within KPMG's global framework of advisory and assurance services. The Global Sustainability Network contains over 300 professionals in 27 countries. This extensive and multi-skilled resource provides our clients with a spectrum of advisory and assurance services. Through the network the various KPMG offices are able to provide support, share, compare and enhance the communication within KPMG. Our emphasis is on embedding sustainability criteria into organisations' existing strategic processes, management systems, performance measurement and reporting practices. The benefits of this approach are a reduction in organisational risks and potential liabilities, enhancement of management effectiveness and business performance, and improvement in stakeholder relations and public reputation.

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