



**SURVEY OF
SUSTAINABILITY REPORTING
IN SOUTH AFRICA**

2002

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INTRODUCTION

The Survey of Sustainability Reporting in South Africa 2002 is the fifth such annual survey conducted by KPMG. As with previous surveys, this edition has taken into account the latest developments in sustainability reporting internationally. This survey is closely linked to the KPMG International Survey of Corporate Sustainability Reporting 2002, which was published in June 2002. The International Survey analysed the sustainability reporting practices of the Top 100 companies in 19 countries as well as the top 250 companies of the Global Fortune 500 companies.

In addition to analysing the state of sustainability reporting in the Top 100 companies in South Africa, this survey examines the content of sixteen non-financial (sustainability, health, safety & environmental, social or environmental) reports. This was done using the KPMG Sustainability Reporting Scorecard.

Developments in sustainability reporting

Since the publication of the 2001 Survey of Sustainability Reporting in South Africa, there have been two major developments in the field of sustainability reporting. These are discussed briefly below:

King Report on Corporate Governance for South Africa 2002

The first edition of this report was published in 1994. The purpose of the report was to promote the highest standards of corporate governance in South Africa. In 2001, the draft for public comment of the revised King Report on Corporate Governance was launched. Of significant importance was the chapter on non-financial reporting.

The final revision of this report – also known as King II – was released in March 2002. It is a non-legislated code that is applicable to companies listed on the JSE Securities Exchange, corporations falling in the South African Financial Services sector and enterprises that perform public functions (inclusive of those regulated by the Public Finance Management Act and the Municipal Finance Management Bill). All other corporations are encouraged to adopt the principles as far as they are applicable.

The report recommends that organisations should report at least annually on the nature and the extent of their social, transformation, ethical, safety, health and environmental management policies and practices. This requirement is further explored in the extensive section on Integrated Sustainability Reporting, which reflects the underlying transparency principles of the Promotion of Access to Information Act promulgated two years earlier.

Global Reporting Initiative – Sustainability Reporting Guidelines 2002

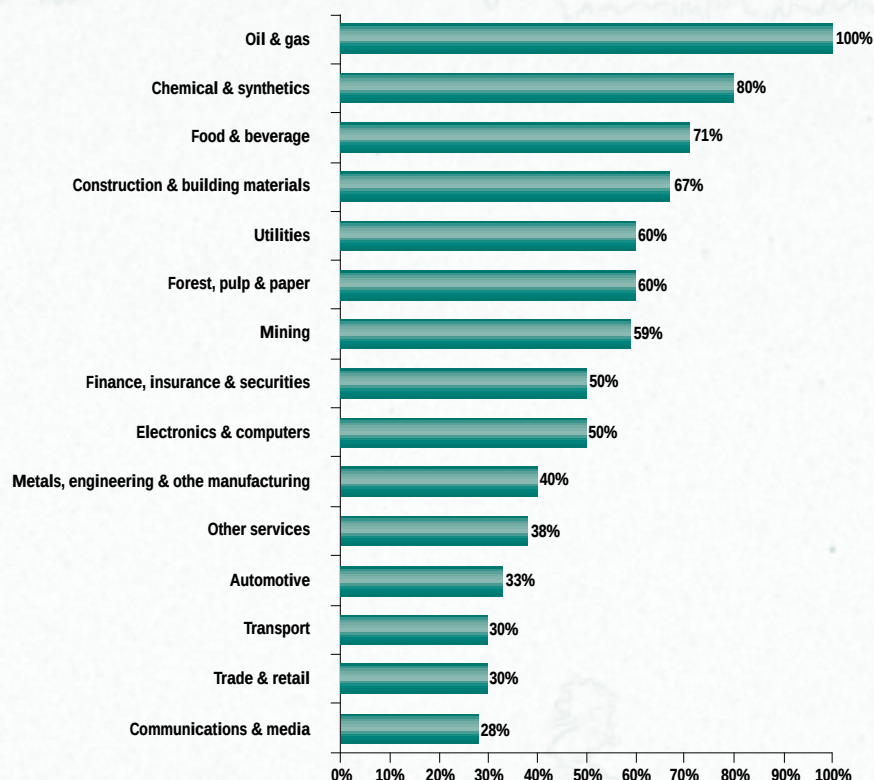
In June 2000, the Global Reporting Initiative (GRI) released a set of globally applicable Sustainability Reporting Guidelines (“Guidelines”) for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services. Since then, a number of trends have been identified which have shown the need for greater accountability and consistency in sustainability reporting. These include:

- Increasing globalisation;
- A search for new forms of global governance;
- A reform of corporate governance;
- The global role of emerging economies;
- The rising visibility of and expectations from organisations;
- The measurement of progress towards sustainable development;

- Governmental interest in sustainability reporting;
- Financial markets' interest in sustainability reporting; and
- The emergence of next generation accounting.

An updated set of Guidelines was released at the World Summit on Sustainable Development in August 2002. During the Summit, it was confirmed that these guidelines are the most up to date and widely agreed guidelines relating to sustainability reporting. At the time of the launch of the 2002 Guidelines, approximately 120 companies were already using the Guidelines in the preparation of their sustainability, social or environmental reports. Of these, five were South African companies.

TOP 100: DISCLOSURE OF SUSTAINABILITY ISSUES IN ANNUAL FINANCIAL REPORTS, PER SECTOR



NON-FINANCIAL REPORTS: COMPANY PERFORMANCE, RATED ACCORDING TO THE KPMG SUSTAINABILITY REPORTING SCORECARD

Best Sustainability Report

- 1 BHP Billiton
- 2 Hillside Aluminium
- 3 South African Breweries
- 4 Eskom
- 5 Old Mutual
- 6 Huntsman Tioxide
- 7 AngloGold
- 8 Richard Bay Minerals
- 9 Impala Platinum
- 10 Investec

Best Health, Safety and Environmental Report

- 1 Umgeni Water
- 2 Anglo American
- 3 Mondi Paper
- 4 Lonmin

Best Social Report

- 1 British American Tobacco South Africa

Best Environmental Report

- 1 Rand Water

SURVEY METHODOLOGY

Annual Financial Reports

Companies analysed in the survey were those that formed the Top 100 Companies as published in the Business Times of November 11, 2001. The annual financial reports were analysed to determine the amount of sustainability information they contained. This was done using a questionnaire which incorporated a scoring mechanism, in line with the methodology followed in the KPMG International Survey of Corporate Sustainability Reporting 2002. The analysis differed from the previous year's analysis in that only core sustainability issues in the reports were evaluated. Hence, a ranking of companies was not possible.

Non-financial Reports

The following sixteen non-financial reports were independently analysed using the KPMG Sustainability Reporting Scorecard:

Anglo American plc	Safety, Health & Environmental Report, 2001
AngloGold	Towards Sustainability – A Social Investment Report, 2001/2002
British American Tobacco South Africa	Social Report, 2002
BHP Billiton	Health, Safety, Environment and Communities Report, 2002
Eskom	Annual Report – Embracing Sustainable Development, 2001
Hillside Aluminium	Environmental, Social & Economic Report, 2001
Huntsman Tioxide	Sustainability Report, 2002
Impala	Environmental, Health, Safety & Community Report, 2002
Investec	The Journey to Sustainability, 2002
Lonmin	Safety, Health & Environmental Report, 2001
Mondi Paper	Safety, Health & Environmental Report, 2001
Old Mutual in South Africa	Corporate Citizenship Report, 2001
Rand Water	Corporate Environmental Report, 2000/2001
Richards Bay Minerals	Social & Environmental Report, 2001
South African Breweries	Corporate Accountability Report, 2002
Umgeni Water	Environmental, Health & Safety Report, 2001

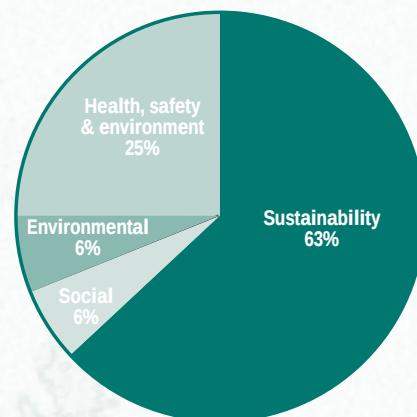
The scorecard uses a 'modular structure', allowing for different requirement combinations and maximum scores for environmental, health, safety and environmental, social, and sustainability reports for both manufacturing and non-manufacturing reporting entities.

The Scorecard contains a maximum of 127 questions, which vary depending on the report to be assessed. The questions are organised into 8 groups of criteria. The criteria for each group are:

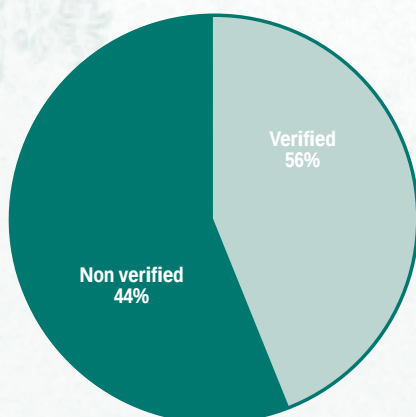
- Financial Management;
- Eco-efficiency;
- Sustainability Management;
- Operational Performance;
- Competence Management;
- Innovations;
- Stakeholder Management; and
- Product Performance.

Besides these 8 groups of criteria, another 6 criteria are included in the questionnaire. They aim at assessing the structure of the report and relate to the: CEO Statement; Overview of the reporting entity; Reporting principles; Report design, layout and appearance; Report communication and feedback mechanisms, and Verification.

TYPES OF NON-FINANCIAL REPORTS



VERIFICATION OF NON-FINANCIAL REPORTS



Survey awards

<i>Best Sustainability Report</i>	BHP Billiton
<i>Best Health, Safety & Environmental Report</i>	Umgeni Water
<i>Best Social Report</i>	British American Tobacco South Africa
<i>Best Environmental Report</i>	Rand Water

FINDINGS

Annual financial reports

Of the 100 companies analysed, only four produced a separate sustainability-related non-financial report. Of the annual reports analysed, it was found that the most frequently mentioned sustainability issue was a Code of Conduct (87%). It is assumed that this is the case because at the time of analysis, the draft King II report had been published and South African organisations were aspiring to comply with the envisaged Code of Conduct requirements.

Approximately half (49%) of the companies surveyed mention the environment in their annual reports. This was almost on par with the reporting on social issues (45%). Health and safety issues were mentioned in 40% of the companies analysed, while only a third (31%) of the companies mentioned community issues in their annual reports.

As with previous years, this survey shows that reporting on sustainability issues is still fairly superficial. However, it would appear that issues that have a more direct impact on the operation of companies are receiving more attention in their annual reports.

Separate non-financial reports

The non-financial reports of sixteen companies were analysed using the KPMG Sustainability Reporting Scorecard. The companies' reports were analysed in one of four categories, depending on their focus: sustainability; health, safety & environment; social; and environmental.

Like the 2001 survey, it was found that the strongest performance, according to the Scorecard, was in the 'non-core' criteria of report design, CEO statement, organisation overview, verification, reporting principles and report communication and feedback mechanisms.

From these results, it would appear that top management is realising the importance of these sustainability issues and is willing to publicly express the company's position on sustainability. Of concern is the report communication and feedback mechanisms. It would appear that companies are not making it easy enough for stakeholders to provide feedback on the report content.

There has been a significant increase in the number of verified reports with more than half (56%) of the survey sample having their reports externally verified.

Regarding core sustainability issues, the companies surveyed provided, on average, most information on sustainability management (38%) and operational performance (37%). This was followed by stakeholder management with just over one quarter (27%) disclosing information on this issue.

The fact that economic issues have not been strongly incorporated in the non-financial reports is shown in the low level of disclosure of financial management issues (25%).

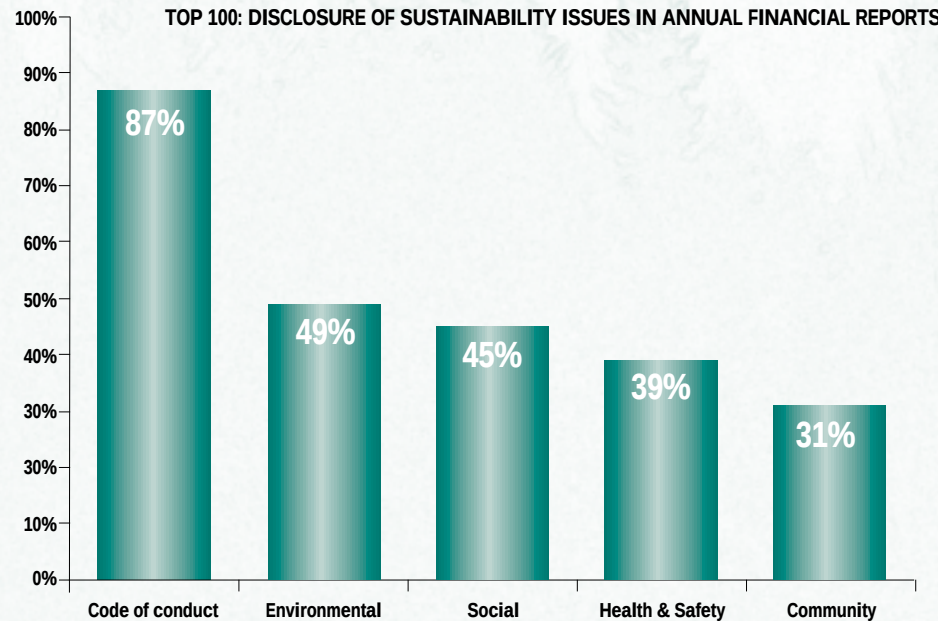
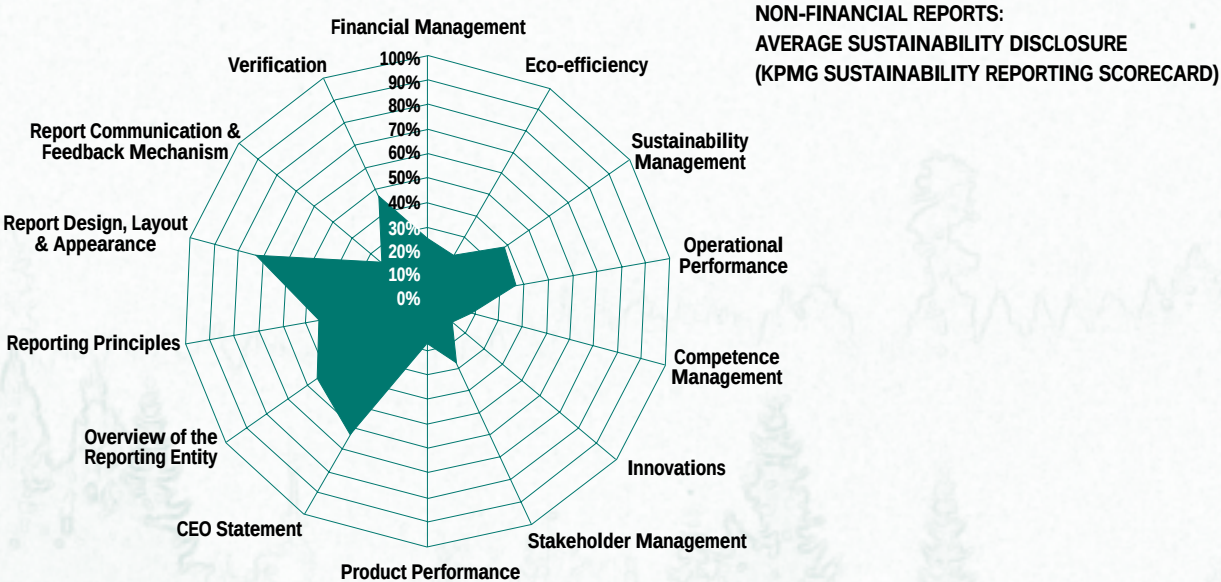
The final four criteria scored less than 20% on the Scorecard in the following manner: eco-efficiency (19%), product performance and competence management (16%) and innovations (11%). This would again suggest that sustainability has not yet been fully integrated in the main business operations.

CONCLUSION

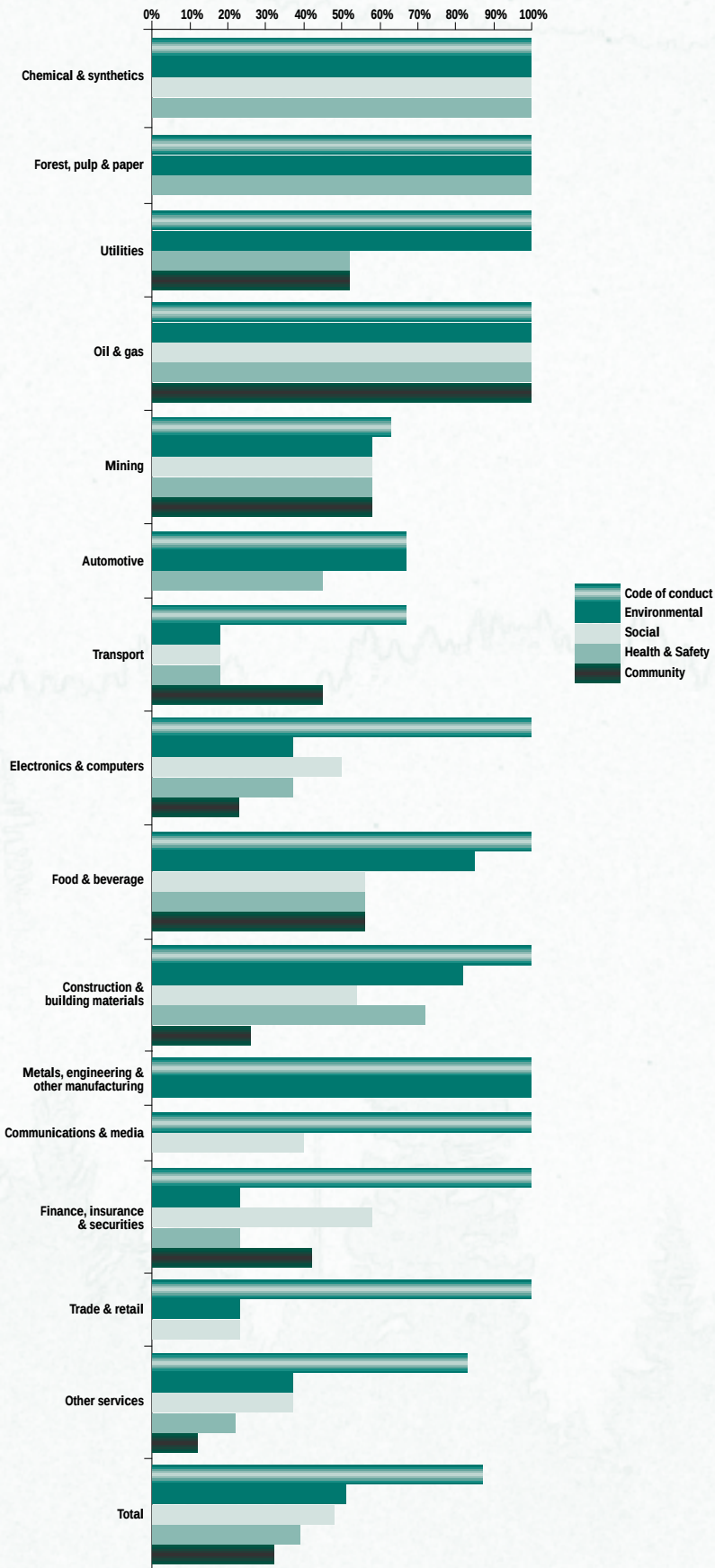
Although the inclusion of sustainability issues in annual financial reports remains superficial, there has been a marginal increase in disclosure. It is anticipated that sustainability will become a more focussed issue with the implementation of the requirements of King II. Furthermore, in South Africa, a number of sustainability indices, which will be used to screen financial investments are being launched.

Regarding non-financial reporting, the release and international acceptance of the GRI Sustainability Reporting Guidelines means that companies now have a template to follow in the compilation of sustainability reports.

Although the disclosure of sustainability issues in mainstream reports is improving and should be encouraged, of paramount importance, however, is the need to ensure that sustainability is completely integrated in the operation of organisations.



TOP 100: SUSTAINABILITY ISSUES DISCLOSURE IN ANNUAL FINANCIAL REPORTS, PER SECTOR



SURVEY PARTNERS

KPMG Global Sustainability Services

KPMG is one of the leading providers of assurance, tax and legal, and financial advisory services. With a global approach to service delivery, KPMG responds to clients' complex business challenges with services that span industry sectors and national boundaries.

In South Africa, Sustainability Services has offices in Cape Town, Durban and Johannesburg and provides core services in the following areas:

- Sustainability reporting and verification;
- Corporate governance assessment;
- Organisational integrity & business ethics tools;
- Management system assessment and certification (ISO 14001, ISO 9000, OHSAS 18001);
- Environmental due diligence;
- Social accountability & stakeholder engagement;
- Global climate change strategy & greenhouse gas assessment;
- Environmental accounting and financial auditing;
- Environmental legal compliance;
- Sustainability research and benchmarking.

KPMG is a Charter Member of the Global Reporting Initiative and a Member of the World Business Council for Sustainable Development.

For further information,
please contact:

SUSTAINABILITY SERVICES

Shireen Naidoo

Tel: +27 31 327 6100

Fax: +27 31 332 6584

Email:

shireen.naidoo@kpmg.co.za

Website:

<http://www.kpmg.co.za>

University of the Witwatersrand

SASOL Centre for Innovative Environmental Management & SASOL Chair in Environmental Engineering.

In 1999, SASOL and WITS embarked on a far-reaching effort to create excellence in innovative environmental engineering and management. The purpose of this venture is threefold:

- To make better use of resources in setting priorities for innovative environmental management in South Africa;
- To improve the link between long-term, outcome-based, customer-focused, innovative environmental management; and
- To develop procedures and processes that will lead to effective assessment of our accomplishments and provide useful feedback for making future decisions.

The strategic goals of SCIEM and SCEE are:

- Mobilise environmental engineering and management resources in providing environmental solutions;
- Develop innovative environmental solutions;
- Foster a culture of innovation in environmental engineering and management;
- Integrate wisdom and insight; and
- Ensure business services excellence.

The core competencies of SCIEM and SCEE are:

- Industrial ecology and industrial environmental management;
- Synthesis of multidisciplinary knowledge;
- Innovative solutions for sustainability; and
- Effective international network leverage.

Should you require further information please contact:

Prof. Prvoslav Marjanovic
SASOL Professor of
Environmental Engineering
School of Civil & Environmental
Engineering

University of the Witwatersrand
Private Bag 3
WITS 2050
South Africa

Tel: +27 11 717 7123
Fax +27 11 403 8851

Email:
banem@civen.civil.wits.ac.za



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